2002-2003 ANNUAL REPORT

The Federal Bridge Corporation Limited / La Société des ponts fédéraux Limitée

THE FEDERAL BRIDGE CORPORATION LIMITED
THE JACQUES CARTIER BRIDGE AND CHAMPLAIN BRIDGES INCORPORATED
THE SEAWAY INTERNATIONAL BRIDGE CORPORATION, LTD.
THE ST. MARY'S RIVER BRIDGE COMPANY

Canada

In recognition for the innovative construction methods used during the project, the Jacques Cartier Bridge Deck Replacement Project was honoured with a number of awards over the last few months:

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2

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Guy Maltais, Director of Engineering at JCCBI and Bernard Brisault, Senior Engineer at SNC-Lavalin were presented the Prix Mentor 2002, by the for their technical contribution to the project by the American Concrete Institute, Québec et de l'Eastern Ontario section and the Canadian Concrete Association.

The Institut d'acier et d'armature du Québec awarded the Jacques Cartier and Champlain Bridges Incorporated and Groupement SNC01 an Armature award for civil engineering for the Jacques Cartier Bridge deck replacement work. The award was presented during the third Armatura awards ceremony, called Le Rêve des bâtisseurs: 30 ans d'innovation (the pride of builders, 30 years of innovation).

The Armatura awards recognize the prominent use of reinforced concrete in modern construction projects other than single-family dwellings.

From left to right, Glen Carter, General Manager of the Jacques Cartier and Champlain Bridges Incorporated, Normand Morin, Vice-President at SNC-Lavalin and Michel Fournier, President of the Federal Bridge Corporation.

The Jacques Cartier and Champlain Bridges Incorporated and SNC-Lavalin Inc. won a Leonard Award in the transportation infrastructure category for the Jacques Cartier Bridge deck replacement work.

TABLE OF CONTENTS

1 LETTER TO THE MINISTER
2 MESSAGE FROM THE PRESIDENT
4 PROFILE AND HISTORY
7 OUR ORGANIZATION
11 OUR CLIENTS
12 OUR PARTNERS
16 MANAGEMENT DISCUSSION AND ANALYSIS 2002-2003
31 FINANCIAL HIGHLIGHTS
37 OUR CHALLENGES
53 FINANCIAL STATEMENTS

TOP OF PAGE:

1 > Armatura Award from the Association des ingénieurs-conseils du Québec

2 > The Association des ingénieurs-conseils du Québec marked National Engineering Week - a national celebration of excellence in engineering - to launch the first Grands Prix du génie-conseil québecois (Quebec awards for consulting engineers).

3 > The annual Arcus award, presented by the Quebec Concrete Association.

4 > Award from the American Concrete Institute - Quebec and Eastern Ontario Section

5 > The International 2003 PCI Design Award is presented by the Chicago based Precast/Prestressed Concrete Institute. The deck replacement project won in the Best Rehabilitated Bridge category, in competition with structures in the United States, Mexico and Canada.

The Federal Bridge Corporation Limited / La Société des ponts fédéraux Limitée

June 30, 2003

The Honourable
David Collenette, P.C., M.P.
Minister of Transport
29th floor
330 Sparks Street
Tower C, Place de Ville
Ottawa, Ontario K1A 0N5

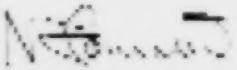
Dear Minister,

In accordance with the provisions of Section 150 of the *Financial Administration Act*, I am pleased to submit the Annual Report of The Federal Bridge Corporation Limited for the fiscal year ending March 31, 2003.

This Report also contains the financial statements of the Corporation, which have been audited by the Auditor General of Canada.

In the interests of economy, this Report also incorporates the Annual Reports of our subsidiary organizations, The Seaway International Bridge Corporation, Ltd., The Jacques Cartier and Champlain Bridges Incorporated, and the St. Mary's River Bridge Company.

Yours truly,



Michel Fournier
President and Chief Executive Officer

Canada

Michel Fournier, President and Chief Executive Officer, on the site of the Craig curve on the Jacques-Cartier Bridge, in July 2003

MESSAGE FROM THE PRESIDENT

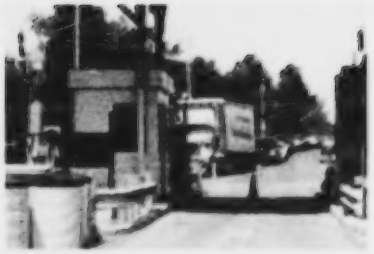
The Federal Bridge Corporation Limited (FBCL) and its subsidiary companies were active on several domestic and international fronts during 2002-2003. Together, we became more efficient in operating and maintaining the federal properties for which we are responsible and strived to improve our service delivery to clients. More than 142.1 million vehicle transits are recorded annually in the greater Montréal area alone; the Sault Ste. Marie International Bridge, the Seaway International Bridge and the Thousand Islands Bridge are, respectively, the sixth, seventh and eighth busiest international toll crossings between Canada and the U.S. The role and contribution of our infrastructures on the North American economy and on commercial and commuter transportation in the Montréal area is significant.

The $127 million deck replacement project undertaken by our subsidiary, Jacques Cartier and Champlain Bridges Incorporated (JCCBI), on the Jacques Cartier Bridge was completed in November 2002, within the two-year deadline. One of the key objectives of the project was to maintain traffic flow and high levels of user satisfaction while carrying out construction activities. The construction methods used – notably the off-site fabrication of deck panels and their installation during non-peak hours – set new standards in the industry for this type of project. Consultation, communication and coordination among stakeholders contributed to meeting objectives, especially those related to clients' needs.

On March 6, federal and provincial government authorities announced their respective commitment to complete the construction of Highway 30 between Candiac and Vaudreuil-Dorion by 2009. Highway 30 will greatly contribute to improving the interprovincial and international trade flow in Montréal. In this context, the FBCL will be asked for its expertise to help define the parameters for planning, designing, carrying out and supervising the construction work for the two new bridges, crossing the St. Lawrence River and the St. Lawrence Seaway. Specifically, the FBCL will be mandated under an agreement with Québec's Ministère des Transports to monitor the work and to perform related quality audits.

Participation in the Light Rail Transit study in the Montréal area continues through FBCL representation on the joint Canada-Quebec Steering Committee that oversees the administration of $14 million in feasibility studies by the provincial Metropolitan Transportation Agency.

In 2002, FBCL and JCCBI participated in a group examining suicides on the Jacques Cartier Bridge in Montréal. In the fall of 2002, FBCL made a public announcement that it would undertake a study to evaluate suicide prevention barriers on the Jacques Cartier Bridge. Costs, aesthetics and the effectiveness of different types of barriers in meeting the objectives of preventing suicides and suicide attempts are among the considerations of the study.



In 2002, FBCL made investments of more than $2 million to install a new communications network, using fibre-optic technology for the Closed-Circuit Television Surveillance System (CCTV) at the Champlain and Jacques Cartier bridges in Montréal. This investment is part of an Intelligent Transportation System (ITS) aimed at efficient movement of vehicles.

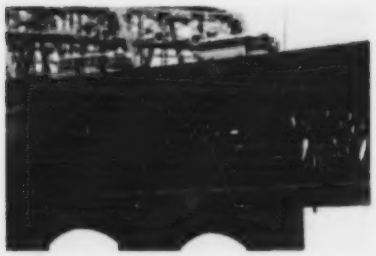
Traffic volumes at the Seaway International Bridge, the Thousand Islands International Bridge and the Sault Ste. Marie International Bridge have recovered more quickly than anticipated following the tragedies of September 11, 2001, and the extraordinary measures that quickly followed. However, traffic volumes and longer inspection times are contributing to processing delays that have a negative impact on trade. Canadian and American authorities are meeting new border security imperatives with international trade, tourism and traffic efficiency as key considerations in achieving national objectives. The FBCL is working with Transport Canada, the Canada Customs and Revenue Agency, state and U.S. government agencies, and the bridge authorities in evaluating proposals to apply new technology and operational initiatives to smooth traffic flow.

The FBCL Risk Management Committee has identified the major risks in operating its assets. Emergency preparedness plans are reviewed and updated by the subsidiaries, when required.

A condition survey conducted on the Seaway International Bridge in 2001 revealed a need to replace the deck within a five- to 10-year horizon and to anticipate significant maintenance costs in the interim. In fact, the SIBC carries out inspection and safety repairs to the north bridge deck each year. The costs of maintaining the existing structure are making a proposed low-level span increasingly attractive. An environmental assessment begun in 2002 is the first step toward the replacement of the structure.

The Corporation has identified a series of performance indicators developed for implementation in 2003. Consolidation of operations has the potential for further cost reductions and operational efficiencies. Related to this, steadily increasing in-house technical and facility-management expertise is generating opportunities for the FBCL to become involved in the management and maintenance of additional structures. The FBCL is in discussions with the National Capital Commission and Public Works and Government Services Canada to potentially have FBCL manage and maintain the five bridges over the Ottawa River in the National Capital Region.

In all, FBCL structures carry annual vehicle transits estimated at some 149.8 million and 8 million urban public transit users. Underlying every initiative of the FBCL, its subsidiary companies and each of its employees is a continuing commitment to apply the full extent of its expertise in the service of its clients.



PROFILE AND HISTORY

The Federal Bridge Corporation Limited (FBCL) is a Crown corporation, which was established in 1998 under the *Canada Business Corporations Act* to operate the bridge and highway assets formerly under the control of The St. Lawrence Seaway Authority. Its articles of incorporation provide that it can assume responsibility for other bridges and structures if the Governor in Council so orders, and since 1998, other assets have been added to its responsibilities.

The FBCL controls two categories of assets: those that are financially self-sufficient through the collection of tolls, and those that depend on government funding for their operations.

Self-sufficient assets include the Thousand Islands International Bridge; the Seaway International Bridge in Cornwall, and the Sault Ste. Marie International Bridge. All FBCL assets are operated by its subsidiary companies or through partnership agreements. Our international crossings are the Thousand Islands International Bridge, the Seaway International Bridge located in Cornwall, and the Sault Ste. Marie International Bridge.

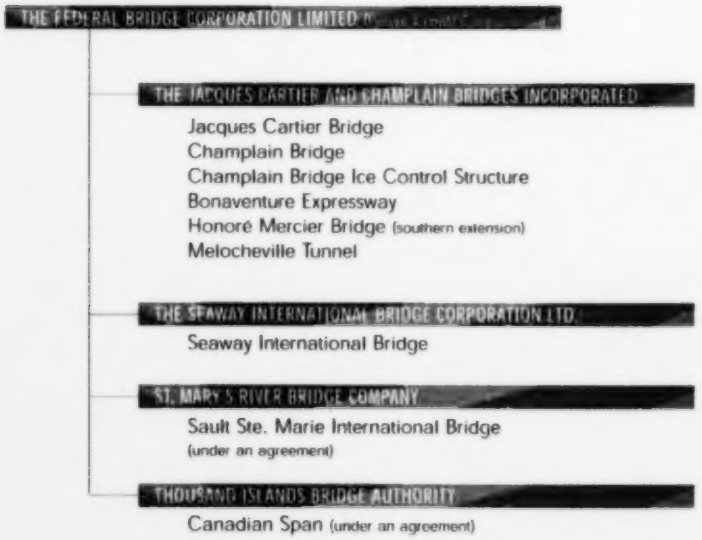
Assets requiring government funding include the Jacques Cartier and Champlain bridges, the Champlain Bridge Ice Control Structure, the Bonaventure Expressway and a portion of Highway 15, half of the Honoré-Mercier Bridge and the Melocheville Tunnel, all located in the Montreal region.

In 2005, the Corporation will celebrate the 75th anniversary of the Jacques Cartier Bridge.

The FBCL will continue its efficient and quality work so as to reinforce its perception
as an essential partner of all infrastructure owners in Canada.

OUR ORGANIZATION

The corporate structure is illustrated as follows:

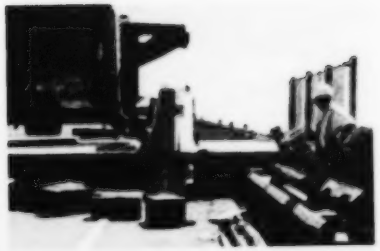

THE FEDERAL BRIDGE CORPORATION LIMITED
THE JACQUES CARTIER AND CHAMPLAIN BRIDGES INCORPORATED
Jacques Cartier Bridge
Champlain Bridge
Champlain Bridge Ice Control Structure
Bonaventure Expressway
Honoré Mercier Bridge (southern extension)
Melocheville Tunnel
THE SEAWAY INTERNATIONAL BRIDGE CORPORATION LTD.
Seaway International Bridge
ST. MARY'S RIVER BRIDGE COMPANY
Sault Ste. Marie International Bridge
(under an agreement)
THOUSAND ISLANDS BRIDGE AUTHORITY
Canadian Span (under an agreement)

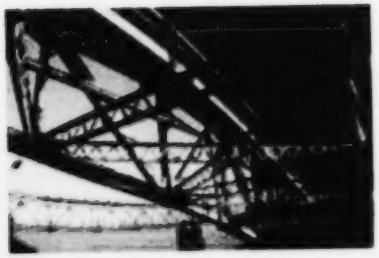
The Federal Bridge Corporation Limited (FBCL) was incorporated in 1998 to assume the non-navigational management responsibilities of the St. Lawrence Seaway Authority. These include properties of the Jacques Cartier and Champlain Bridges Incorporated and in a joint venture with its U.S. partner, the Seaway International Bridge Corporation, Ltd. At the same time, the FBCL assumed responsibility for the management of the Canadian portion of the Thousand Islands International Bridge. In 2000, the FBCL acquired the Canadian half of the Sault Ste. Marie International Bridge and was represented on the Joint International Bridge Authority.

Since October 1, 1988, the Federal Bridge Corporation Limited has been responsible for the Jacques Cartier and Champlain Bridges Incorporated, the Seaway International Bridge Corporation, Ltd. and the activities of the Thousand Islands International Bridge. The Thousand Islands International Bridge is operated and maintained jointly by Canada and the United States, on an equal basis, in keeping with an agreement signed by the Federal Bridge Corporation Limited and the Thousand Islands Bridge Authority.

In October 2000, the Federal Bridge Corporation Limited acquired 91.33% of the outstanding voting and participating shares in the St. Mary's River Bridge Company from the Province of Ontario.

The subsidiary, the Jacques Cartier and Champlain Bridges Incorporated, depends on the Government of Canada for its financing. The Federal Bridge Corporation Limited and its subsidiary, St. Mary's River Bridge Company, as well as its joint venture, the Seaway International Bridge Corporation, Ltd., finance their activities through their operating revenue.





Our vision

The Federal Bridge Corporation Limited (FBCL) intends to become recognized as an essential and value added partner in the management, construction and operation of bridges and highway infrastructures in Canada.

The quality of the work done since 1998 has enabled the FBCL to earn the recogniztion of the Ministère des Transports du Québec (MTQ). In fact, as part of the Highway 30 Project in Quebec, the FBCL will be asked by the MTQ for its expertise to help define the parameters for planning, designing, carrying out and supervising the construction work for the bridges crossing the St. Lawrence River and the St. Lawrence Seaway. Specifically, the FBCL will be mandated in an agreement with the project manager to monitor the work and to perform related quality audits.

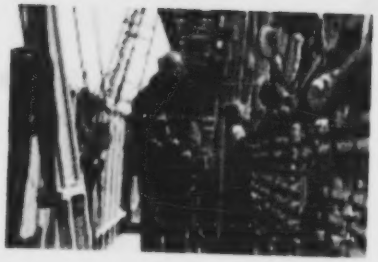
The FBCL will continue its efficient and quality work so as to reinforce its perception as an essential partner of all infrastructure owners in Canada.

Our mission

The mission of the FBCL is as follows:

As an integral component of Canada's economic activity, it is the Federal Bridge Corporation Limited and its subsidiaries' mission to manage, operate and maintain the bridges and highway infrastructure under their jurisdiction so as to provide users with safe, reliable and efficient transit.

To meet this goal, the Corporation and its subsidiaries enforce sound management practices and environmentally friendly policies, and ensure that their methods of visual communication provide a favourable representation of Government of Canada activities.



The Canadian Society for Civil Engineering paid tribute to Glen Carlin, General Manager of JCCBI, in recognition for his contribution to the profession.

Our values

In order to fulfill the FBCL mission, Corporation management and personnel base their decisions and actions on four principal values:

TEAM WORK

To build a solid, devoted team

INNOVATION

To remain at the leading edge of technology

EXCELLENCE

To be a leader in the management of bridges and structures in Canada

PARTNERSHIP

To work closely with our partners to complete our activities

The most recent illustration of the tangible results resulting from the respect for these values is the extraordinary success of the major deck replacement project for the Jacques Cartier Bridge.

The $127 million deck replacement project undertaken by our subsidiary, the Jacques Cartier and Champlain Bridges Incorporated (JCCBI) on the Jacques Cartier Bridge was completed in November 2002, within the two-year deadline. One of the key objectives of the project was to maintain traffic flow and high levels of user satisfaction while carrying out construction activities. Our innovative professionals developed a new procedure that has since become the norm for re-decking bridges in urban settings. Using a design-build contract delivery with the off-site fabrication of deck panels and their installation at night. Traffic management during the re-decking of the bridges ensured that users were the number one priority. This new procedure ensured that 90% of the clientele was not affected by the work. Consultation, communication, and coordination among stakeholders contributed to meeting objectives, especially those related to clients' needs.

In recognition of the innovative construction methods used and the scale of the re-decking project, the Association des ingénieurs-conseils du Québec awarded the project its Prix d'excellence in the Transportation Infrastructure category. The project also received prizes from the Association béton Québec, the Institut d'acier d'armature du Québec and the American Concrete Institute – Quebec and Eastern Ontario Chapter.

The project was also awarded the 2003 PCI Design Award from the Chicago based Precast/Prestressed Concrete Institute, in the Best Rehabilitated Bridge category. The project was competing with major prefabricated structures in the United States, Mexico and Canada.

COMMITMENT

Underlying every initiative of the FBCL, its subsidiary companies and each of its employees is a continuing commitment to apply the full extent of its expertise in the service of these clients.

The importance of our human resources

This type of accomplishment is made possible through the expertise and commitment of our human resources. Today, their expertise in the fields of maintenance, construction management and infrastructure security is indisputable.

One of the FBCL's main challenges is keeping its professionals at the leading edge in terms of expertise and continuing its work to harmonize its human resources policies and programs across the organization. The Corporation's approach to its human resources activities focuses on improved productivity and harmonious relations as a way to promote the development of skills and improve the quality of services offered to its clients.

OUR CLIENTS

Bridges, roads and tunnels are an integral component of people's daily lives: commuters, tourists, travellers and pedestrians alike use them on a regular basis. Yet, there is little awareness as to the crucial role they play in our international trade, economy, and emergency systems, as well as the security of the nation.

The importance of ensuring that the structures managed by the FBCL operate efficiently and safely can be illustrated by traffic data. In all, FBCL structures carry annual vehicle transits estimated at more than 148.9 million, and 8 million urban public transit users. Underlying every initiative of the FBCL, its subsidiary companies and each of its employees is a continuing commitment to apply the full extent of its expertise in the service of these clients.

Traffic volumes on the Seaway International Bridge, the Thousand Islands International Bridge and the Sault Ste. Marie International Bridge have recovered more quickly than anticipated following the tragedies of September 11, 2001, and the extraordinary measures that quickly followed. However, traffic volume and longer inspection times are contributing to processing delays that have a negative impact on trade. Canadian and American authorities are meeting new border security imperatives with international trade, tourism and traffic efficiency as key considerations in achieving national objectives. The FBCL is working with Transport Canada, the Canada Customs and Revenue Agency, state and U.S. government agencies, and the bridge authorities in evaluating proposals to apply new technology and operational initiatives to smooth traffic flow.

< JACQUES-CARTIER BRIDGE

OUR PARTNERS

As an essential partner in the sector, the FBCL expresses its desire to continue with and consolidate existing partnerships and to be alert to new opportunities for cooperation. The principal methods used by the FBCL to maintain harmonious relations with its partners and remain open to new opportunities are as follows:

- Committee composed of representatives of the Thousand Islands International Bridge, Transport Canada, the Department of Indian Affairs and Northern Development, and the Akwesasne Mohawk Council to discuss the problems and operation of the Seaway International Bridge with the Mohawk community;
- Joint Canada–Quebec Steering Committee to contribute to studies on operating a light rail transit on the Champlain Bridge Ice Control Structure in the Montréal region;
- New Canada–Quebec committee to complete Highway 30 in the form of a public / private partnership;
- Joint committee composed of representatives of the FBCL and the Saint Lawrence Seaway Development Corporation whose role is to support the Seaway International Bridge Corporation, Ltd. in fulfilling its mandate;
- Collaboration with the Ministère des Transports du Quebec to further integrate the Corporation's Intelligent Transportation System into Quebec's Traffic Management Centre;
- Involving partners in organizing special events to mark the 75th anniversary of the Jacques Cartier Bridge during the summer of 2005;
- Collaboration with the Société du Havre de Montréal, whose mandate is to submit a strategic development plan for the Port of Montréal area, including improving access to the Port;
- Collaboration with the Ministère des Transports du Québec and the Mohawk Council of Kahnawake to ensure efficient coordination of work and to take into consideration economic, social and environmental factors in making decisions about the replacement of the Honoré Mercier Bridge deck;
- Short and long term requirements of the Thousand Islands Bridge and the Seaway International Bridge will be addressed through a binational study involving the New York State Department of Transportation, Transport Canada, Ontario Ministry of Transportation, FBCL and the Bridge Authorities. This study will consider the full range of options for improving the capacity of the bridge and streamlining the flow of vehicles through such means as infrastructure investments, operational improvements, processing / inspection techniques and/or technology applications.
- Through the joint efforts of the Ontario Ministry of Transportation, FBCL, the Thousand Islands Bridge Authority and Transport Canada, an additional traffic lane from Highway 401 to the border at the Thousand Islands Bridge is under review to separate truck traffic from automobile traffic.

The third objective involves continuing to develop opportunities for partnerships with Transport Canada for projects that will facilitate the transportation of merchandise between Canada and the United States.

In all, FBCL structures carry annual vehicle transits estimated at some 148.9 million and 8 million urban public transit users.

MANAGEMENT DISCUSSION AND ANALYSIS 2002-2003

Economic considerations

Canada's economy has always depended on both east-west and north-south transportation for its development and growth. Population growth, increasing numbers of travellers, increased trade and the evolution of the trucking industry are some of the factors that have contributed to increased demand for improved surface transportation services that are at the core of FBCL activities.

The structures under the jurisdiction of the FBCL play a decisive role in the regional and provincial economy, as well as for international trade. Together, they handled more than 148.9 million vehicle transits in 2002-2003.

Specifically, the number of trucks crossing the Champlain Bridge doubled between 1993 and 2002, increasing by 11% every year. In 2002, 4.5 million trucks used the bridge, compared to less than 2 million in 1992.

This increase in the number of trucks had a direct impact on the structure of the bridge, which was not designed to handle such a large number of trucks. For this reason, the FBCL has focused on the urgency of building a bypass highway around Montréal (Highway 30), which will be completed in the short term. A recent study made for the JCCBI has demonstrated that, without the completion of Highway 30, the increasing number of trucks using the Champlain Bridge will reduce the operating life of the bridge significantly.

Moreover, the Seaway International Bridge and the Thousand Islands International Bridge rank seventh and eighth, respectively, among the busiest international toll bridges between Canada and the United States.

In the Greater Montréal region, population density is very high, and for the past several years, a sustained increase in traffic on the Corporation's infrastructures has been noted. Among other things, this is due to the phenomenon of urban sprawl, the increased number of cars on Montréal's South Shore and more goods moved by truck.

The Thousand Islands, Ogdensburg, SIBC and Champlain crossings accounted for 12% of the trade imported from Canada and 8% of total value exported to Canada in 1995. These crossings supported $75 million per day in trade. Export trade to Canada is estimated at 300,000 jobs in the U.S., 55,000 in New York State and 25,000 in northern New York and is expected to double by 2020[1].

Statistics

STRUCTURES	VEHICLE TRANSITS IN 2002 - 2003
CHAMPLAIN BRIDGE	19,100,000
AUX. CARTIER BRIDGE	14,900,000
MEUCHEVILLE TUNNEL	4,900,000
HONORÉ MERCIER BRIDGE	26,000,000
THOUSAND ISLANDS INTERNATIONAL BRIDGE	2,200,000
SEAWAY INTERNATIONAL BRIDGE	7,500,000
SAULT STE. MARIE BRIDGE	2,100,000
BONAVENTURE EXPRESSWAY	17,000,000
TOTAL	**148,900,000**

[1] Northern NY Border Crossing Study, Sear-Brown Group, December1998.

Certain external factors that have an impact on operations

Certain external factors, outside the control of the FBCL, have an impact on operations, in terms of both the transit volume and traffic flow.

The United States has been experiencing an economic slowdown for approximately two years, which affects the volume of imports and trans-border crossings.

Moreover, with the increase in international terrorist activities, customs controls have been tightened, which also affects traffic flow on the international bridges.

Opportunities examined

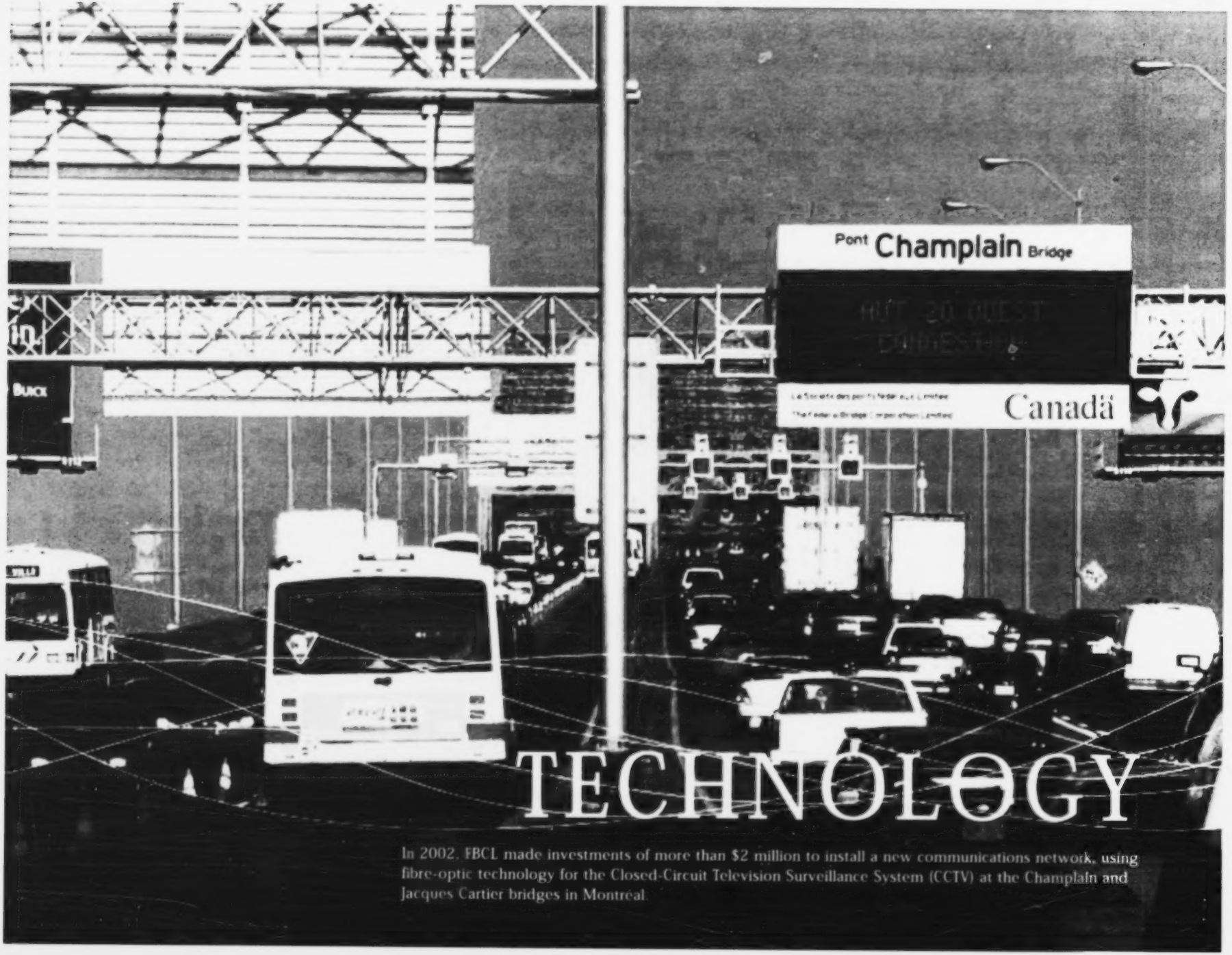
In cooperation with the National Capital Commission (NCC) and Public Works and Government Services Canada (PWGSC), the FBCL ordered due diligence studies on engineering and management intended to identify the capital assets and operating needs of the five bridges in the National Capital Region that cross the Ottawa River. The studies focused on scenarios concerning the ownership of the five bridges which would rest with the NCC while a single government entity, namely the FBCL, would manage the integrated operations of the five bridges.

Moreover, concerned with optimizing traffic flow in the Montréal metropolitan region, the FBCL has ordered several traffic and feasibility studies with respect to the completion of Highway 30, the bypass road around Montreal. The FBCL has managed to demonstrate that action is required urgently as a result of the congestion on the bridges, otherwise serious traffic problems will be experienced on a short-term basis.

To summarize, the completion of Highway 30 and its connections to the existing highways will be carried out in two segments. The first divided segment of nearly 8 km, with four divided lanes, will be constructed between Candiac and Sainte-Catherine. A second 35-km segment, with four divided lanes, will be built between Châteauguay and Vaudreuil-Dorion. This latter segment will include two major bridges spanning the St. Lawrence River and St. Lawrence Seaway. A partnership between the public and private sectors is planned for this segment.

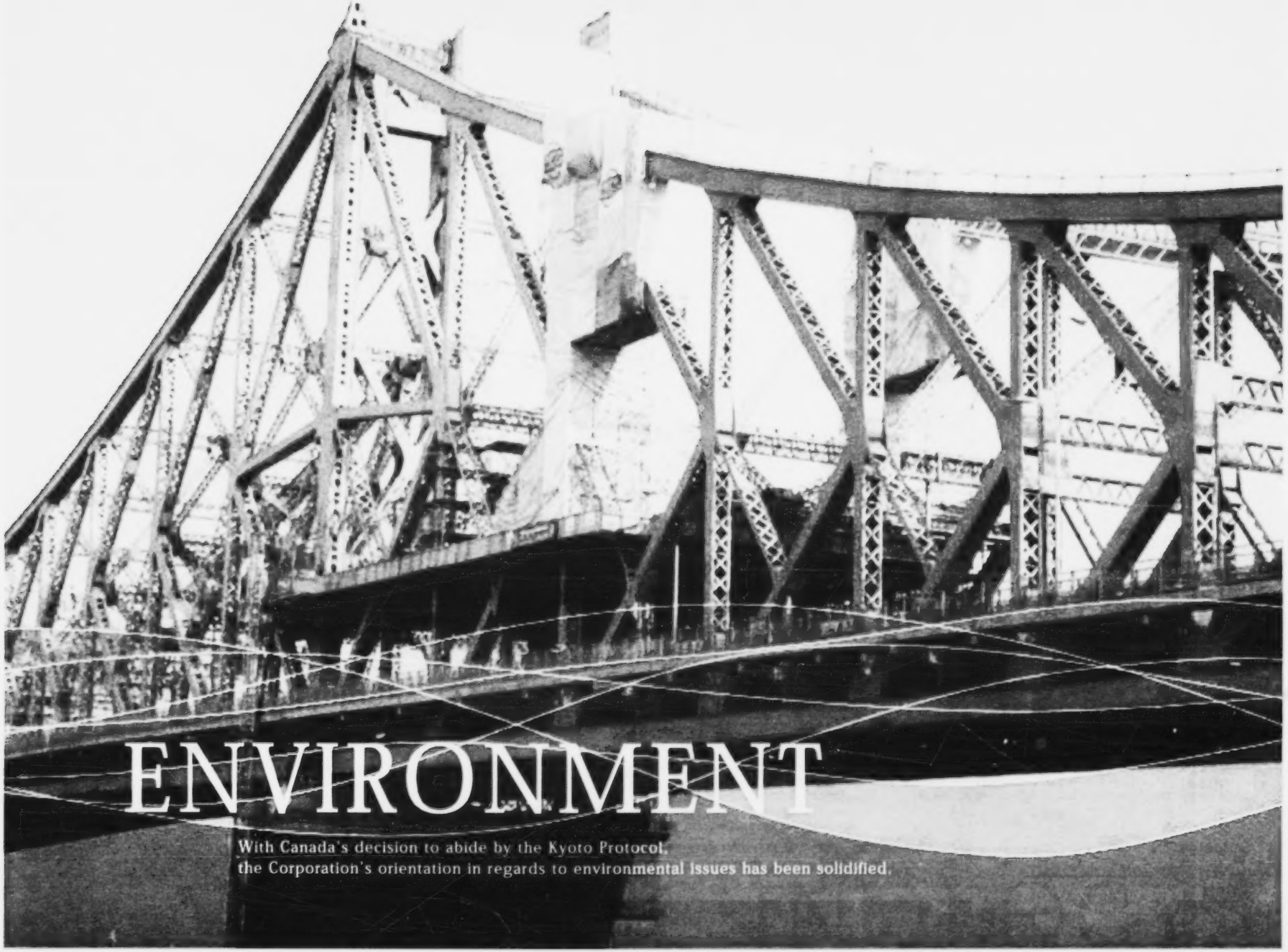
On March 6, an announcement by the Governments of Canada and Québec was made to explain federal and provincial commitments to completing the construction of Highway 30 between Candiac and Vaudreuil–Dorion by 2009.

CHAMPLAIN BRIDGE



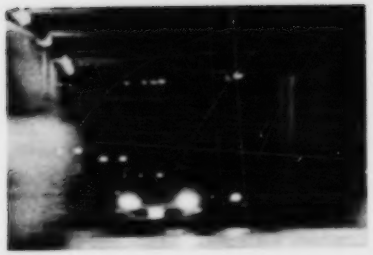
TECHNOLOGY

In 2002, FBCL made investments of more than $2 million to install a new communications network, using fibre-optic technology for the Closed-Circuit Television Surveillance System (CCTV) at the Champlain and Jacques Cartier bridges in Montréal.



ENVIRONMENT

With Canada's decision to abide by the Kyoto Protocol, the Corporation's orientation in regards to environmental issues has been solidified.



Melocheville Tunnel

Customer service and relations with stakeholders

The FBCL realizes that fluid traffic on its structures will have a considerable positive impact on the regional, provincial and Canadian economy, as well as the safety of users and the environment. As a result, our professionals are constantly looking for new solutions for relieving congestion on the bridges.

Light rail transit system

The FBCL sits on the joint Canada-Quebec Steering Committee, which is studying the feasibility of operating a light rail transit system in the Montréal region.

In 2001, the federal government, through Economic Development Canada (EDC) and the FBCL, along with Quebec's Ministère des Transports agreed to contribute $14 million in financing, based on an equal cost-sharing formula, to an opportunity and feasibility study as preconditions to developing a Light Rail Transit (LRT) system. The Corporation's contribution is $1 million. The Metropolitan Transportation Authority (MTA) was chosen as the agent to administer the studies and reports to the joint Federal-Quebec Steering Committee.

The partnership between the governments of Quebec and Canada seeks to develop a proposal for an LRT system along the Highway 10 corridor to downtown Montréal. This collaboration focuses on the need to find a long-term solution for public transportation along the corridor by employing the existing Champlain Bridge Ice Control Structure (Estacade).

If this project proceeds, it will contribute to reducing traffic congestion on the bridges and is recognized for its positive contribution to the environment and to the economy of the region of Montréal. Light Rail Transit would maintain the capacity of public transit in the Champlain Bridge corridor while removing an estimated 1,500 vehicles per rush hour period from bridges on the South Shore.

The final route, the system's technology and anticipated traffic demand have now been determined. The technical studies at the preliminary design stage have been completed and the environmental studies are close to being finalized.

Champlain Bridge Ice Control Structure

Variable Message System panel on the Jacques-Cartier Bridge

Thousand Islands International Bridge

Closed-Circuit Television Surveillance System (CCTV)

In 2002 the FBCL provided financing of $2.2 million for work related to modernization of the Closed-Circuit Television Surveillance System (CCTV) and telecommunications networks on the Jacques Cartier and Champlain bridges as well as the Bonaventure Highway.

The work included installing additional colour cameras and upgrading the surveillance using a fibre-optic network. The results are improved signal quality and a better performing, more flexible system. In 2003, the Corporation plans to upgrade all remaining black and white cameras to colour.

An initial contract worth $970,000 for civil engineering work was completed in August 2002. Following that, a second contract worth $1,018,000 was awarded in September 2002 to implement the system.

This investment is part of an Intelligent Transportation system (ITS) aimed at the efficient movement of vehicles.

Thousand Islands Bridge

ADDITIONAL TRAFFIC LANE

An additional traffic lane from Highway 401 to the border at the Thousand Islands Bridge is under review to separate truck traffic from automobile traffic. The east rift bridge rewidening project will improve the flow of truck traffic at Canada Customs.

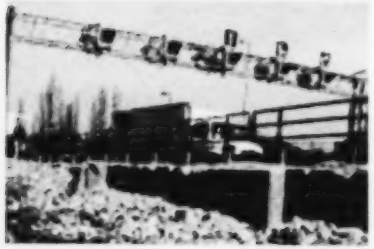
Environment

The FBCL is currently studying possible solutions for replacing the north raised span of the Seaway International Bridge. As part of this project, in order to respect the *Canadian Environmental Assessment Act*, the Corporation ordered an environmental assessment at a cost of $500,000. The assessment is about to be completed.

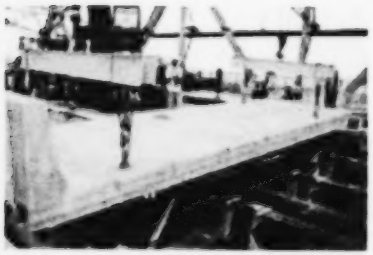
As part of this project, the SIBC negotiated regularly with the Akwesasne Mohawk Council in order to settle certain matters, for which the Corporation is not responsible, thus delaying the process.

MAINTENANCE

The $127 million deck replacement project on the Jacques Cartier Bridge, the largest restoration project ever undertaken on a Canadian bridge



Demolition of existing sidewalk to build bicycle path



Installation of a deck panel in roadway

Structures

The FBCL and its subsidiaries continued the work planned for the structures. However, the noteworthy event of the year was the second phase in the re-decking of the Jacques Cartier Bridge.

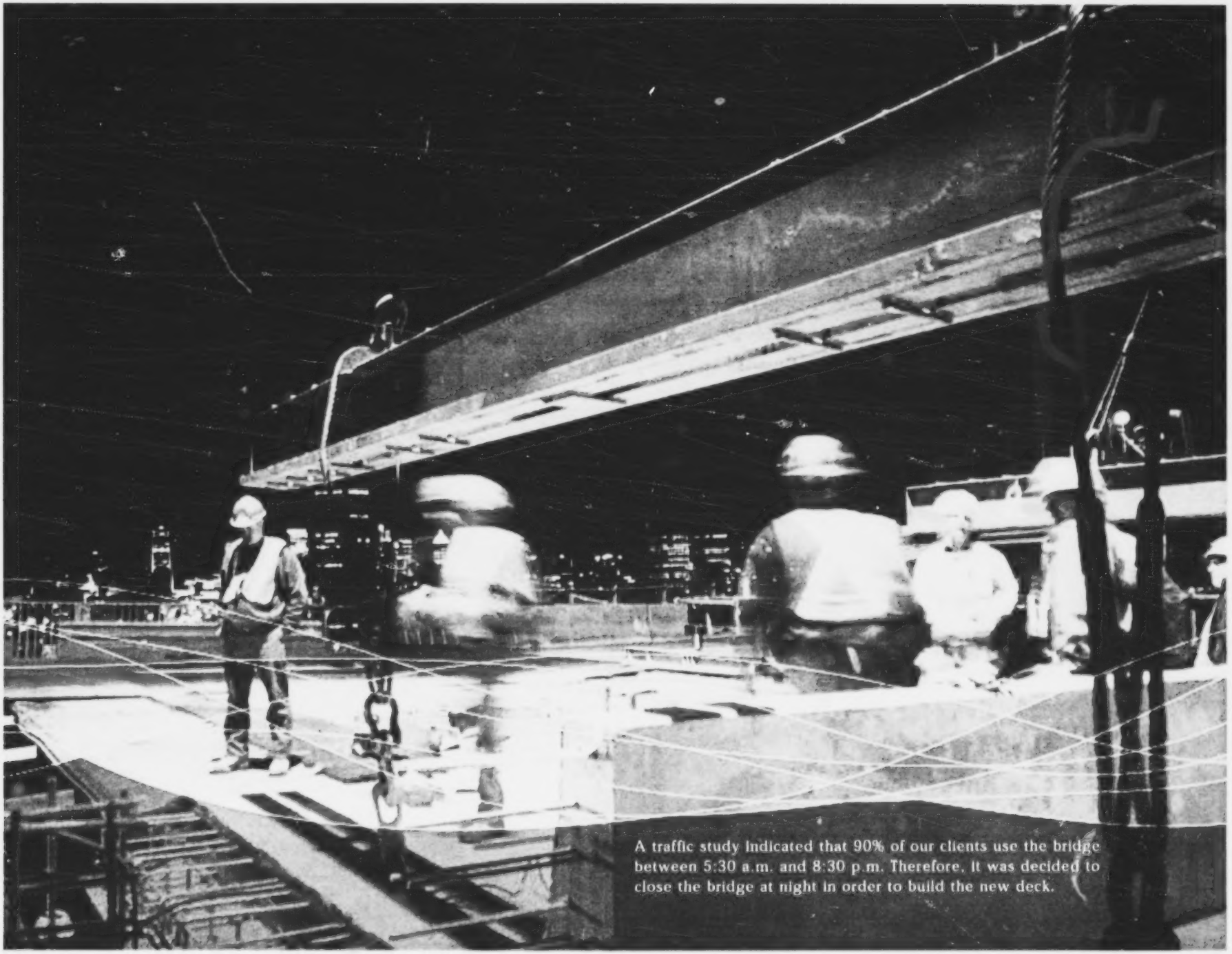
The $127 million deck replacement project on the Jacques Cartier Bridge, the largest restoration project ever undertaken on a Canadian bridge, challenged engineering skills, traditional technology, project coordination methods and traffic flow.

For over 35 years, the number of cars and trucks has increased significantly in the greater Montreal area, although no new structures were added to handle them. As a direct consequence of this increase, the Jacques Cartier and Champlain bridges have become the busiest bridges in North America and have been over-utilized for several years.

As a result, we had to find a construction method to ensure that our users could have access to all five lanes during peak periods.

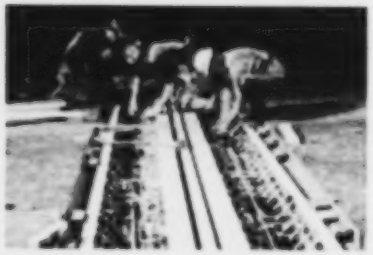
The "cast-in-place" concrete method normally used to replace a bridge deck would have had serious impact for the 44 million users of the Jacques Cartier Bridge, namely:

- The need to close two lanes at all times during the construction work would have resulted in traffic tie-ups lasting 2-3 hours during peak periods for all bridges on Montréal's South Shore;
- It would have taken four years instead of two to complete the work;
- The finished product would have been of lesser quality and not as durable.



A traffic study indicated that 90% of our clients use the bridge between 5:30 a.m. and 8:30 p.m. Therefore, it was decided to close the bridge at night in order to build the new deck.

Demolition of old slabs from bridge, to be recycled as aggregate



Adjustment of a section of the three-module expansion joint

A traffic study indicated that 90% of our clients use the bridge between 5:30 a.m. and 8:30 p.m. Therefore, it was decided to close the bridge at night in order to build the new deck, when the other South Shore bridges could handle the other 10% of the Jacques Cartier Bridge users without any difficulties.

The deck was replaced using the design-build method at night, using concrete slabs that were prefabricated in a plant adjacent to the bridge.

The project included the complete replacement of the existing reinforced-concrete deck, comprising five lanes of traffic over a length of 2.7 km, with a new deck built mainly of pre-fabricated concrete structures joined by tensioned steel cables. Construction activities in the second phase addressed the north section of the bridge deck between the Île Ste-Hélène Pavilion and east-end Montréal. During the 2002 construction season, 1,030 deck panels were installed and improvements made to the geometry of the bridge, a section known as the "Craig curve." Work was completed in November, within the two years projected.

This innovative project established a procedure that has become a new standard for the re-decking of bridges in urban settings, and drew the attention of the Québec and Ontario transportation departments, Transport Canada, the Canadian Construction Association and the Association des ingénieurs-conseils du Québec.

The project was also awarded the 2003 PCI Design Award from the Chicago based Precast/Prestressed Concrete Institute, in the Best Rehabilitated Bridge category. The project was competing with major prefabricated structures in the United States, Mexico and Canada.

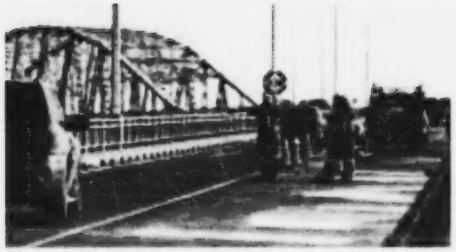
Application of first layer of asphalt

INNOVATION

During the 2002 construction season, 1,030 deck panels were installed and improvements made to the geometry of the bridge, a section known as the "Craig curve."

SECURITY

The FBCI is constantly looking for new ways to improve the security and protection of those who use its structures.



Security and protection

The FBCL is constantly searching for new ways to improve the security and protection of those who use its structures.

Security Assessment

FBCL financed a study into risk assessment and security measures for two of its international bridges – the Seaway International Bridge and the Canadian portion of the Thousand Islands Bridge – and participated in the study at Sault Ste. Marie. It also financed the study into its domestic structures in the Montréal area. The consultant with expertise in the area of security and safety retained by Transport Canada coordinated the study that included other structures, namely federally controlled interprovincial bridges.

The security assessment involved preparing risk analysis reports for each infrastructure that examined the vulnerability of the structures against possible criminal acts and acts of terrorism. In 2002, the subsidiary corporations increased the surveillance of their infrastructures and started the process of implementing the recommendations issued from the reports.

Risk assessments were updated for JCCBI properties in 2002 and 2003. As well, JCCBI concluded agreements with the Sûreté du Québec and the Peace Keepers of Kahnawake to conduct regular inspections of the structures of the Jacques Cartier and Champlain bridges and the federal portion of the Honoré Mercier Bridge. JCCBI also will implement in 2003 several security measures identified in the 2002 study.

Protective barrier for pedestrians

In 2002, JCCBI participated in a group examining suicides on the Jacques Cartier Bridge in Montréal. In the fall of 2002, FBCL made a public announcement that it would undertake a feasibility study to evaluate installing special barriers as a means to prevent suicides.

< JACQUES-CARTIER BRIDGE CYCLING PATH

Sault Ste. Marie International Bridge

Mr. Hendrik H. Saaltink, General Manager,
Seaway International Bridge

Partnerships

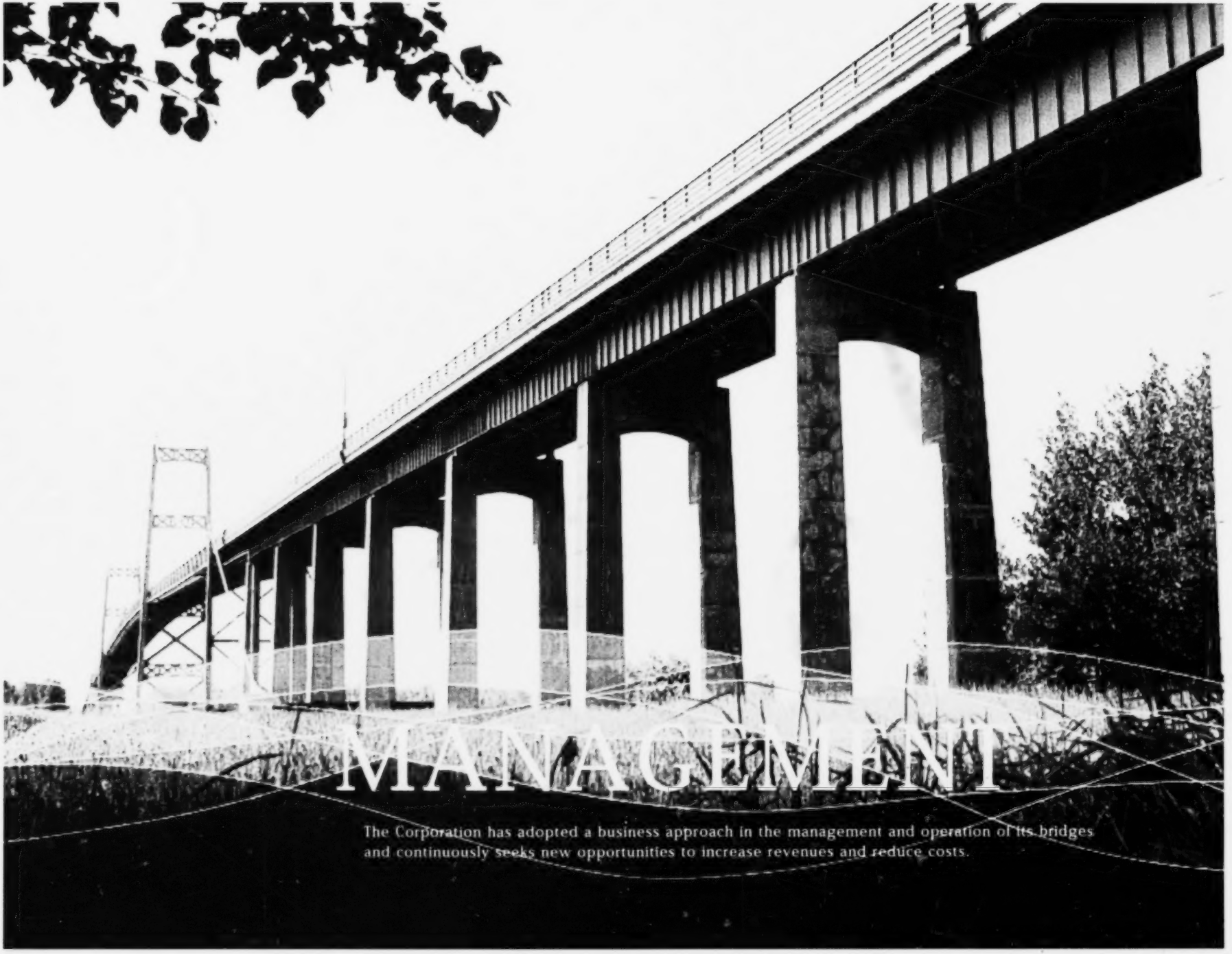
All of the projects completed by the FBCL and its subsidiaries involve setting up steering committees to consult with all stakeholders. During the course of the year, steering committees were set up during the re-decking of the Jacques Cartier Bridge to ensure that the various levels of government were aware of the urgent need concerning the Highway 30 project. The efficiency and pertinence of this method were clearly demonstrated in both cases.

The FBCL also developed working relationships with U.S. and state government agencies, Canadian and provincial government agencies, First Nations' councils, municipal governments, and community and trade organizations. Border security imperatives bring many of these groups together, while social, financial, and environmental issues concern others; and safe and efficient traffic flow interests virtually all of the stakeholders with whom the FBCL conducts business.

Performance management

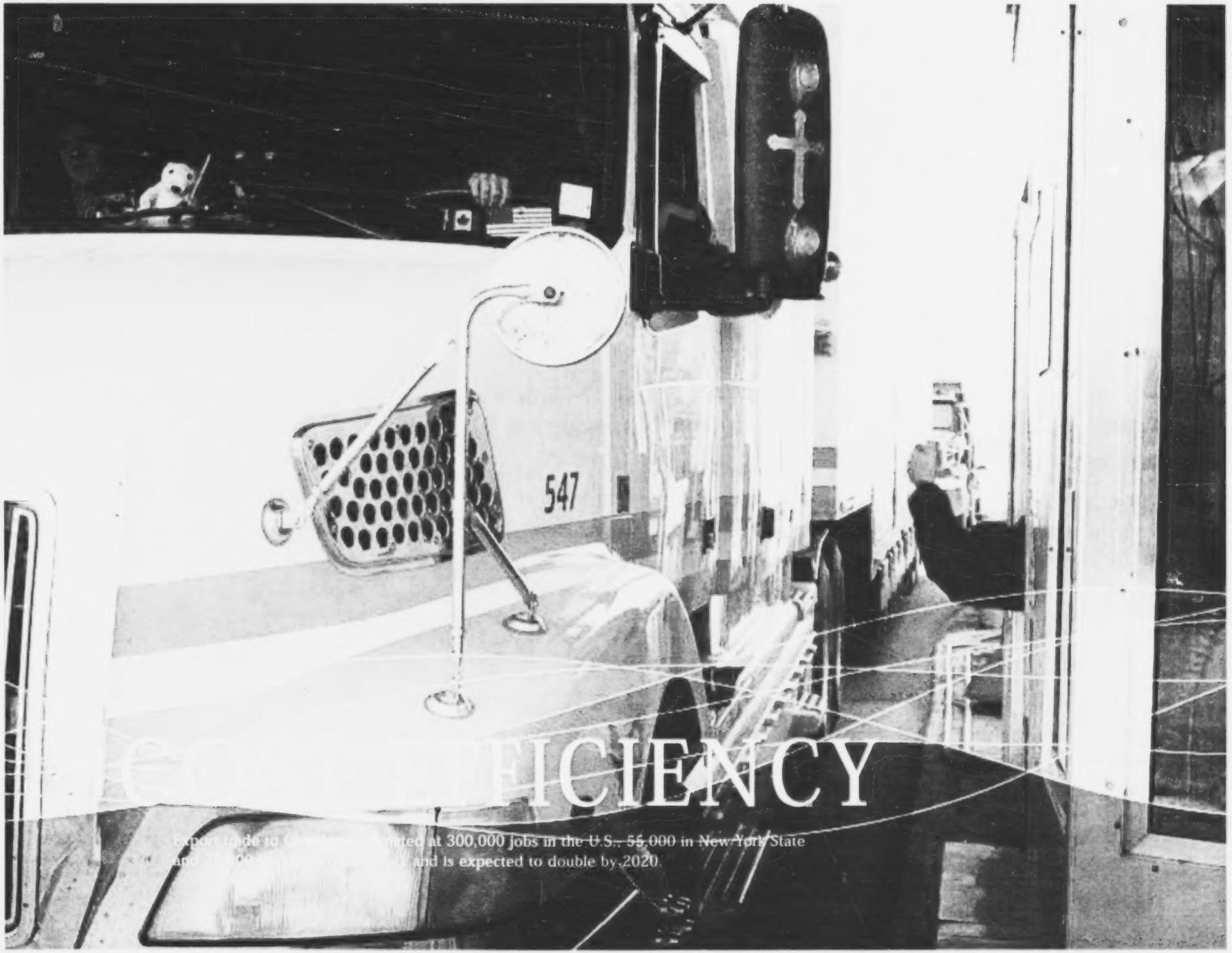
In order to enhance the management of its performance, the FBCL assigned Consulting and Audit Canada, an agency of Public Works and Government Services Canada, to assist with the development of a system of performance measurements and indicators focused primarily on the Corporation's mission, objectives and public services, used to measure the impact of the activities of the FBCL on national interests and the departmental mandate.

The indicators retained can be implemented as of 2003-2004.



MANAGEMENT

The Corporation has adopted a business approach in the management and operation of its bridges and continuously seeks new opportunities to increase revenues and reduce costs.



EFFICIENCY

Export trade to Canada supported at 300,000 jobs in the U.S., 55,000 in New York State and is expected to double by 2020.

FINANCIAL HIGHLIGHTS

Overview of the 2002-2003 fiscal year

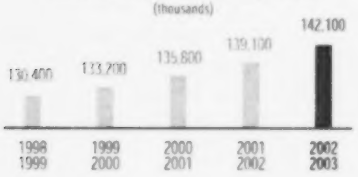
Duty-free shop at the Seaway International Bridge

	1998 1999	1999 2000	2000 2001	2001 2002	2002 2003
thousands of dollars					
Revenues	2,713	6,759	10,299	12,091	**13,219**
Expenses	12,112	32,400	38,497	41,857	**33,805**
Portion of expenses covered by revenue	22.4 %	20.9 %	26.8 %	28.9 %	**39.1 %**
Parliamentary credit for operating expenses	9,629	25,168	27,966	26,726	**23,345**
Capital asset acquisitions	144	2,877	6,612	68,347	**61,646**
Amortization of capital assets	1,260	2,740	3,249	3,658	**4,122**

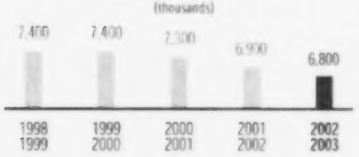
Since it was created, the Corporation revenue has constantly grown. Revenue increased from $2.7 million in 1998-1999 for a six month financial exercise, to $13.2 million for 2002-2003.

TOLL AT THE SEAWAY INTERNATIONAL BRIDGE

NUMBER OF TRANSITS
Infrastructures in the Montreal area



NUMBER OF TRANSITS
International Bridges



In terms of transit volume, the number of transits increased for the bridges in the Montreal area and decreased for the international bridges. In all, traffic has increased slightly over the past five years. It should be noted that the traffic data available for each of the years covers complete years since 1998, and not traffic since the subsidiaries were integrated in the FBCL.

The parliamentary credits for operating expenses are used to finance the operating deficit of the bridges in the Montreal area, which do not collect tolls. The challenge is to optimize the management of all of the bridges managed by the Jacques Cartier and Champlain Bridges Inc.

Capital asset acquisitions totalled $61.6 million during the past fiscal year and $68.3 million in the previous year. Essentially, they were incurred to re-deck the Jacques Cartier Bridge. This project, which cost $127 million, was completed within the required time frame.

The Corporation has adopted a business approach in the management and operation of its bridges and continuously seeks new opportunities to increase revenues and reduce costs. This is reflected in its toll policy and in initiatives taken to reduce costs through contracting out service and efficiency measures. As well, the FBCL and subsidiary companies are identifying revenue-generating possibilities at each property following successful projects in Montréal. Market-driven commercial signage in Montréal will generate about $60 million over a 15-year contract; about 95% of these revenues will be reinvested at the Montreal bridges.

For budget management purposes, it is assumed that traffic, and therefore toll revenues, will increase slightly in 2003, compared with 2002. Such an increase is very dependent, however, upon both political and economic factors.

PORTION OF EXPENSES
COVERED BY REVENUE

Expenses decreased significantly during the 2002-2003 financial year. This decrease is essentially a result of a decline in maintenance costs.

The FBCL is proud that it has been able to increase the portion of expenses covered by its revenue, namely from 22.4% in 1998-1999 to 28.9% in 2001-2002 and to 39.1% in 2002-2003.

Revenue analysis

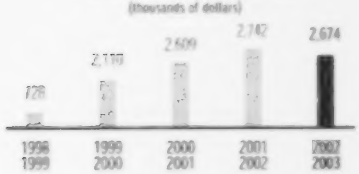
OPERATING REVENUE FROM THE THOUSAND ISLANDS INTERNATIONAL BRIDGE

(thousands of dollars)

The operating revenue for the Thousand Islands International Bridge represents the share of the FBCL's net profit for operating the bridge. This revenue increased slightly over the past year.

LEASES AND LICENSES

(thousands of dollars)



After experiencing sustained growth, the income generated by leases and licenses, other than those for the Thousand Islands International Bridge, decreased slightly in 2002-2003. This is an indication that a ceiling has been reached and serious efforts must be made to try to increase this revenue.

The principal sources of revenue are the operating revenues of the Thousand Islands International Bridge, revenues from leases and licenses, and income from advertising and tolls.

Traffic crossings recovered more quickly than anticipated following the September 2001 events, especially commercial traffic. Moreover, the Thousand Island Bridge Authority modified its toll policy. It started to apply currency parity for tolls by increasing only those tolls paid in Canadian currency at the American tollbooth. Complete currency parity went into effect on February 1, 2003.

On March 1, 2002, the FBCL increased tolls for the Seaway International Bridge by 30%.

The increase in tolls and the recovery of lost traffic in the aftermath of the events of September 11, 2001, resulted in an increase in toll revenue. The FBCL plans to optimize the revenue earned from its structures.

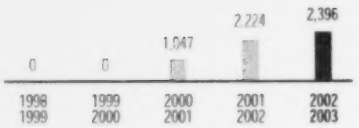
Since the toll bridge must be self-financing, it is crucial that it earns sufficient revenue to cover their expenses, including capital asset expenses. In this respect, the following factors exert a significant amount of pressure on the generation of revenue:

- The increase in customs controls following the events of September 11, 2001;
- The fact that 95% of the traffic using the Sault Ste. Marie International Bridge is not commercial traffic, but rather optional trips, causing prices to be very elastic.

The Sault Ste Marie International Bridge has experienced declining traffic in the past several years; although commercial traffic is staying fairly stable, it represents only 5% of the total traffic. Scenarios are being developed to identify appropriate toll adjustments and/or capital project deferrals needed to achieve self-sufficiency. Without action, the owners risk a deficit situation within about five years.

ADVERTISING

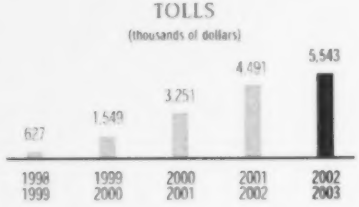
(thousands of dollars)



Revenue generated by advertising was slightly higher than that for the previous year. It was, however, double that earned for the 2000-2001 year. The FBCL plans to work on maximizing this type of revenue.

TOLLS

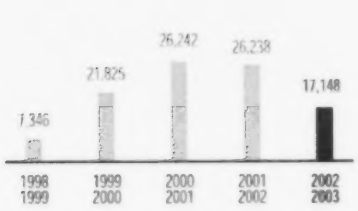
(thousands of dollars)



Currency parity was achieved with this increase, the first since 1991, and toll rates are now at or above those for other St. Lawrence River crossings. Nevertheless, more than 60% of users – members of the Mohawk community and those providing services to it – are exempt from tolls.

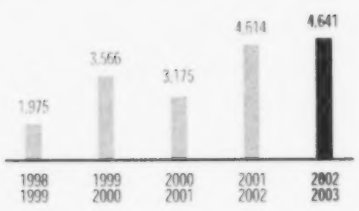
Analysis of expenses

MAINTENANCE
(thousands of dollars)



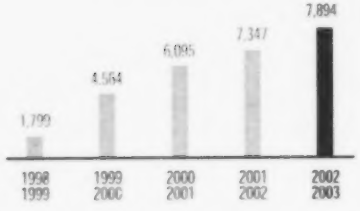
Maintenance costs decreased significantly almost $10 million in 2002-2003. This reduction can be attributed primarily to a reduction in expenses incurred for the bridges in the Montréal area, where maintenance costs were $8.2 million less than for the previous year, as a result of the maintenance costs that were capitalized as part of the re-decking of the Jacques Cartier Bridge and other expenses that were deferred. In the future, maintenance expenses should be higher than for the past year, considering the age of the structures, the fact that they are over-used with respect to forecasts made when they were built and the use of corrosive abrasives in the winter.

OPERATIONS
(thousands of dollars)



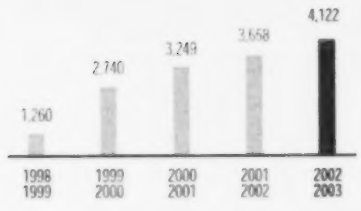
Operating costs concern the structures in the Montréal area. Operating costs have been stable following a contract signed with the Sûreté du Québec for police surveillance of the bridges. This contract is worth $3 million annually.

ADMINISTRATION
(thousands of dollars)



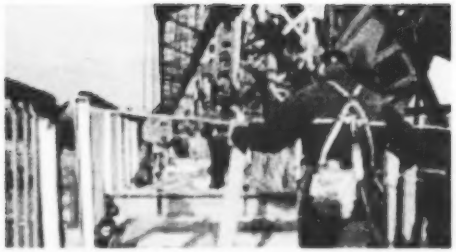
Administrative costs have been stable at approximately $7.5 million following the integration of the last subsidiary, which was acquired in October 2000. The FBCL plans to continue to control its overhead.

AMORTIZATION
(thousands of dollars)



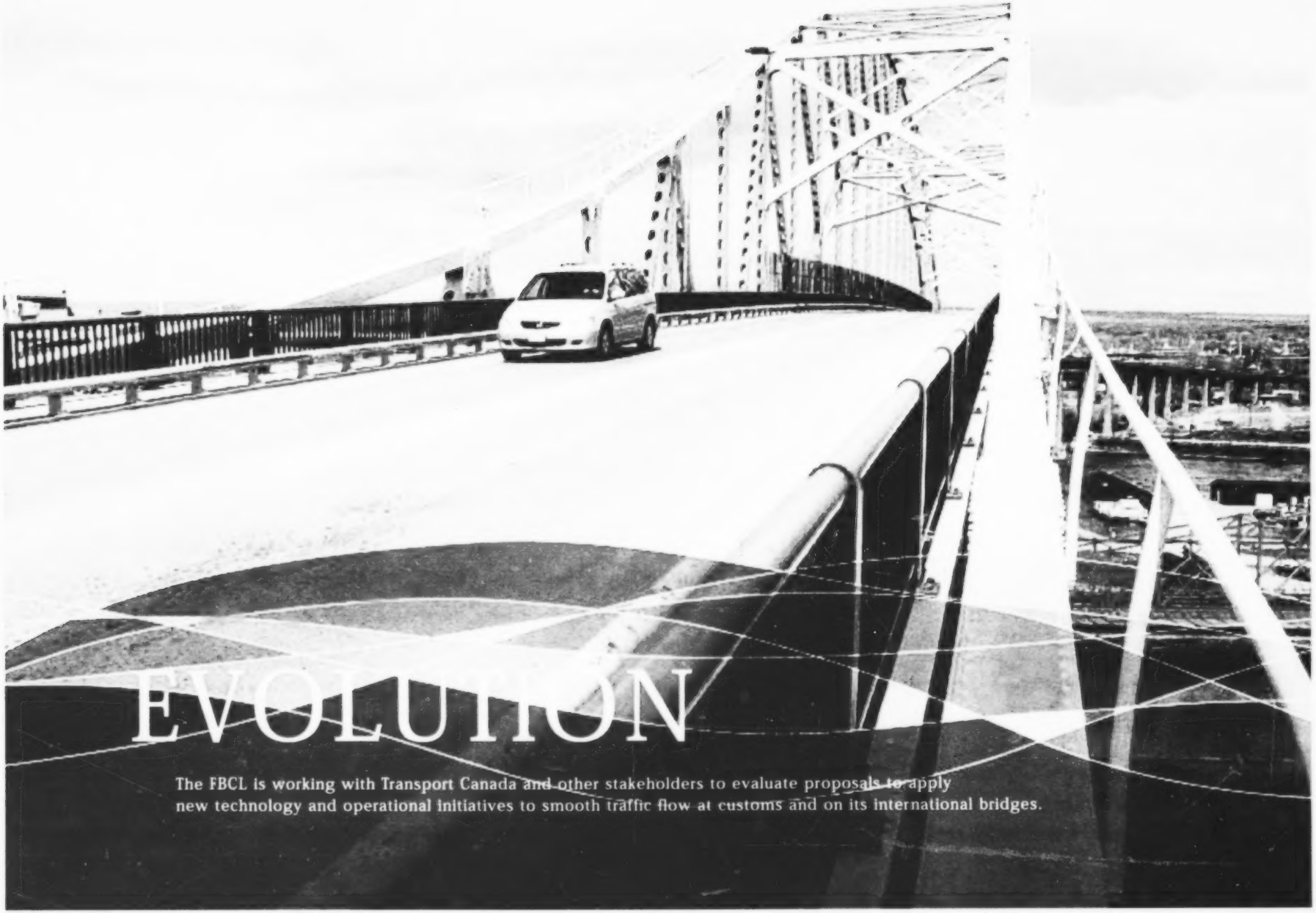
The increase in amortization costs can be attributed to the significant expenditures made for capital assets in recent years as well as the addition of new subsidiaries. The figures for 2002-2003 include the cost for amortizing the re-decking of the Jacques Cartier Bridge for a period of three months. This cost is $800,000. Without this item, the amortization cost for the year would have been lower than that for the previous year.

Cash flow



	1998 1999	1999 2000	2000 2001	2001 2002	**2002** **2003**
thousands of dollars					
Operating activities	2,586	2,376	894	2,578	**7,332**
Investment activities	4,288	(2,683)	(5,100)	(64,189)	**(61,628)**
Financing activities	2,925	267	9,515	66,134	**55,575**
Total	9,799	(40)	5,309	4,523	**1,279**

Cash flow from operations is still positive. The parliamentary credits for operating expenses are needed to ensure this. Moreover, the investment and financing activities for the last two years cover primarily the major Jacques Cartier Bridge deck replacement project, which cost $127 million. This expenditure was essentially incurred during this period.



EVOLUTION

The FBCL is working with Transport Canada and other stakeholders to evaluate proposals to apply new technology and operational initiatives to smooth traffic flow at customs and on its international bridges.

OUR CHALLENGES

Our challenges with respect to customer service

In an effort to find means to ensure fluid traffic flow on its structures, the FBCL will continue to play a role in the joint Canada–Quebec Steering Committee so as to contribute to studies concerning a light rail transit system in the Montréal metropolitan area.

Moreover, it will also serve as a member of the new Canada–Quebec Committee concerning the completion of Highway 30, where it will play an active role in the design and construction of two major bridges through a public/private partnership.

The FBCL will be mandated under an agreement with Québec's Ministère des Transports to monitor the work and to perform related quality audits.

Once completed, Highway 30 will:

- provide a continuous bypass highway route south of Montréal, from its intersection with Highway 20 at Sainte-Julie as far as the junction of Highways 20 and 540 at Vaudreuil-Dorion, and improve flow along Highways 10, 15, 20 and 40 in a more efficient road network;
- decrease the number of trucks (more than 2 million/year) on existing bridges, leading to a decrease in maintenance costs and extended life cycle of existing bridges;
- facilitate access to markets in Ontario, the central United States, Eastern Quebec and the Maritimes;
- reduce congestion on the Island of Montréal and the bridges linking it to the South Shore;
- reduce congestion problems on Highway 132, and thus help to reduce greenhouse gas emissions;
- allow direct and completely safe service to the major industrial parks and other growth centres on the South Shore, and reroute heavy vehicles and transportation of hazardous goods away from the towns and villages and other sensitive areas;
- respond to the needs expressed by residents, businesses, shippers and the transportation industry.

SAULT STE. MARIE INTERNATIONAL BRIDGE

Work in the Melocheville tunnel

In Montréal, FBCL will finish replacing the old black and white cameras with colour cameras and thus modernize the surveillance system using fibre optics. The improvements made to the system should be operational during the Fall of 2003.

It will also continue with its contribution to a study on the additional traffic lane from Highway 401 to the border at the Thousand Islands Bridge.

The FBCL and its subsidiaries will continue to do planned work on the structures. Specifically, this work includes:

- Re-introducing the structure cleaning and painting program, in particular for the Jacques Cartier and Champlain bridges;
- Planning and preliminary studies for the re-decking of the Honoré Mercier Bridge (re-decking project worth $62.5 million planned for 2008);
- Repairs to the approaches to the Melocheville tunnel in its entirety and the lighting system ($3.2 million);
- Extension of the East Channel Bridge, following environmental assessments in order to improve the flow of truck traffic on the Thousand Islands International Bridge;
- Repairs at 30 to 40 locations on the bridge deck of the Seaway International Bridge in 2003-2004 and during the coming years. Regardless of the results of the environmental assessment, the FBCL should replace or repair the deck of the North Channel Bridge in about five years;
- Preparation of the design plan for moving the toll booth on the Seaway International Bridge;
- Assessment of various scenarios and options to recognize the 75th anniversary of the Jacques Cartier Bridge in 2005.

Security

For the FBCL, the safety of the people using its structures is a priority. The FBCL Risk Management Committee has identified the major risks to the operation of its assets. Emergency preparedness plans are reviewed and updated regularly by the subsidiaries.

At SIBC, security assessment recommendations will be reviewed and priorities set for their implementation. SIBC will also review its Emergency/Crisis Action Plan (ECAP) and participate in Local Area Emergency Planning meetings and exercises. SIBC also intends to participate in ECAP coordination meetings with other subsidiaries, harmonize the ECAP plan format and liaise with Transport Canada for future studies and funded security programs. Management that oversees FBCL interests in the Sault Ste. Marie Bridge also plans to carry out a similar security study.

Also, FBCL will maintain its agreement with Québec's Ministère des Transports to integrate the Corporation's ITS system into the department's Traffic Management Centre and continue providing the real-time messages related to congestion, construction or safety since this initiative has proven effective.

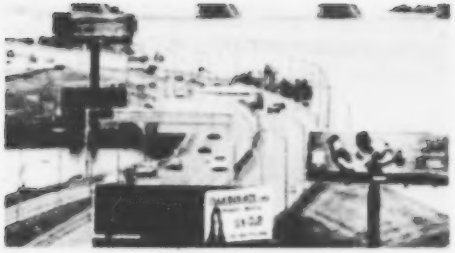
JCCBI will add cameras on its structures and take the necessary actions to follow up on recommendations stemming from the Transport Canada study on increasing security measures on federal bridges.

Toll booth on the Seaway International Bridge

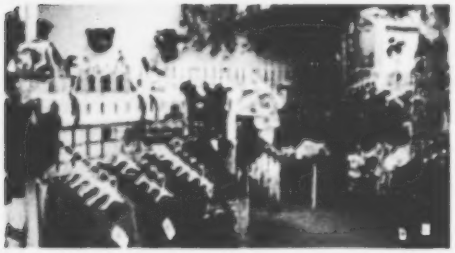
CHALLENGE

From now on, the Corporation will apply the exceptional expertise acquired with the deck replacement of the Jacque Cartier Bridge and apply it to similar upcoming projects such as the Honoré Mercier bridge.

Our challenges with respect to financial resources



Bonaventure Expressway



Duty-free shop at the Thousand Islands International Bridge

The FBCL operates two types of structures: International bridges that generate toll revenues to offset operational and maintenance costs, and bridges in the Montreal region funded largely through parliamentary appropriations.

Search for financing for major re-decking projects

The greatest challenge faced by the FBCL concerns financing for major re-decking and construction projects.

In fact, in the case of the international bridges, the FBCL and its subsidiaries have no capital reserves in most cases and very little cash. Toll revenue is needed to cover operating and maintenance costs.

The Corporation intends to develop scenarios whereby self-sufficiency at all its toll bridges would be achieved over a period of twenty-five years. Based on preliminary work, Sault Ste. Marie will offer the greatest challenge, followed closely by the Seaway International Bridge Corporation where the Mohawks of Akwesasne have free passage on the bridge, leaving less than 40% of the travelling public to pay the entire cost of operating and maintaining the structures.

In addition to analyzing various self-financing scenarios, the FBCL intends to work with the Treasury Board, Transport Canada and the Department of Indian Affairs and Northern Development to identify measures to recover sums equivalent to the free transits granted to the Mohawk community (equivalent to 60% of the transits each year). If it manages to collect 100% of the tolls, the Seaway International Bridge Corporation, Ltd. (SIBC) could cover its operating and maintenance costs as well as costs incurred for major work.

The FBCL and its subsidiary also plan to study various possible revenue solutions that could be generated through special Federal programs for international bridges and inter-border crossings.

Finally, in addition to encouraging all international crossings to maintain parity with their American counterparts, the FBCL and its subsidiary, the SIBC, will increase tolls every three years. The increases will be limited to the increase in the inflation rate, so as to maintain its competitive advantage and not be detrimental to users. Any additional erosion of the toll revenue base would be harmful to the SIBC's economic situation.

With respect to the structures in the Montreal area, the FBCL and its subsidiary will continue to search for innovative solutions to finance major repair work. In fact, the limited nature of public funds and the lack of toll revenue make recourse to alternative methods of financing essential. The success of the sale of advertising space clearly demonstrates the significant financial advantages of innovative solutions.

HONORE-MERCIER BRIDGE

Review of the binational agreements
SAULT STE. MARIE

The Board of the St. Mary's River Bridge Company (SMRBC) directed its appointees to the Joint International Bridge Authority (JIBA) to negotiate more acceptable terms for the intergovernmental agreement between the Company and the State of Michigan.

A major concern with the Agreement is the requirement for parity payments to be made to Michigan Department of Transportation for any expenditure made on Canada Customs or Immigration facilities. This requirement does not exist at any other international bridge in Canada.

Canada Customs has served notice that it will require major improvements in approximately five years costing some $9 million ($18 million including the parity payment). No provision has been made for this in any budget forecast. Also, the agreement does not address the rights of the SMRBC as owner of the Canadian portion of this international bridge nor does it deal with obligations under deficit financing. A proposal will be brought to JIBA and MDOT in hopes of arriving at an amicable resolution. Transport Canada is fully involved in this process.

Failing to successfully negotiate more acceptable terms, the SMRBC will exercise the one-year termination clause contained in the agreement.

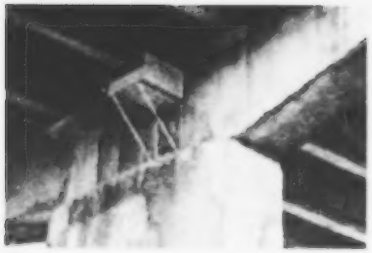
Our challenges with respect to preserving the environment

With Canada's decision to abide by the Kyoto Protocol, the Corporation's orientation in regards to environmental issues has been solidified.

The high-level north-channel span of the Seaway International Bridge will soon require major capital expenditures. Consultants retained to investigate the cost implications of maintaining the existing span versus replacing it with a low-level bridge confirm significant financial benefits associated with the latter option. A 15-month environmental assessment to examine the cost, benefits and impacts of each option is expected to be completed in 2003, pending resolution of concerns expressed by the Mohawk Council of Akwesasne. Many of these concerns are beyond the mandate of the Corporation and will involve government departments and agencies.

The environmental assessment undertaken at the Seaway International Bridge will serve as a model for future initiatives.

All subsidiary corporations prepared inventories of properties under their management and rated the condition of the properties using the Treasury Board of Canada's classification system. The next step is for the Corporation to set objectives in regards to its management of these properties.



Falcon nest on the Champlain Bridge

Our challenges with respect to promoting our expertise

Over the coming year, the FBCL will pursue four objectives with respect to promoting its expertise.

The FIRST OBJECTIVE is to ensure significant progress in negotiations with the National Capital Commission (NCC), and Public Works and Government Services Canada (PWGSC) concerning the repatriation of the management of the Ottawa River bridges. In collaboration with the National Capital Commission (NCC) and Public Works and Government Services Canada (PWGSC), the FBCL commissioned management and engineering due diligence studies to identify the capital and operating requirements for the five bridges over the Ottawa River in the National Capital Region. These studies addressed the ownership, financial management, and operations of the bridges and examined scenarios that could see ownership and financial management vested with the NCC and operations consolidated under the FBCL. The consultant has indicated that the overall annual savings to the government could be more than $200,000. Negotiations between the NCC, the FBCL and PWGSC are ongoing.

The SECOND OBJECTIVE consists in playing a key role within the Canada-Quebec Committee to complete Highway 30 through a public/private partnership.

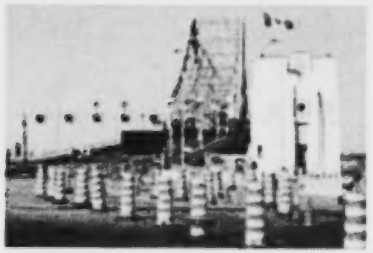
The THIRD OBJECTIVE involves continuing to develop opportunities for partnerships with Transport Canada and the Ontario Transportation Ministry for projects that will facilitate the transportation of merchandise between Canada and the United States.

The FOURTH OBJECTIVE involves continuing efforts to reduce costs and improve performance so as to reinforce our position as an essential and value added partner. Thus, working with its subsidiary corporations, the FBCL will continue to strive to become an industry leader in terms of standards and benchmarks for management, operation and maintenance of structures under its authority. Moreover, FBCL has identified a set of performance indicators that will allow it and its subsidiaries to better evaluate success in meeting various objectives. These include operations and maintenance factors, human resources, traffic measurement and client relations.

Taking into account the mission and vision of the Corporation, the initiative seeks to establish guidelines for ongoing operation, maintenance and construction activities to improve annual budgeting and long-term capital planning, and will be used to establish benchmarks to provide an indication of cost efficiency and best practices. The performance indicators developed will be implemented gradually in 2003-2004.

BRIDGES AND TRANSPORTATION INFRASTRUCTURES

Under control of the FBCL and its subsidiaries



The Jacques Cartier Bridge

Opened to traffic on May 14, 1930 and officially inaugurated on May 24, 1930, the Harbour Bridge was later renamed the Jacques Cartier Bridge in 1934 in tribute to the famous explorer who discovered Canada in 1534.

This steel bridge features a reinforced-concrete deck and spans the width of five traffic lanes. It stretches almost 3 kilometres in length and runs between Longueuil and Montréal. A lane sign system makes it possible to reverse the direction of the traffic in the centre lane to better accommodate motorists during the morning or evening rush hours.

The main cantilever-type span towers approximately 66 metres above the St. Lawrence River to allow ships to pass underneath to and from the Port of Montréal. The section crossing the Seaway is close to 49 metres over the canal.

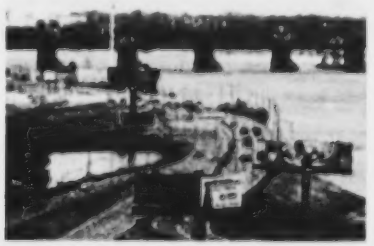
Annual traffic on the Jacques Cartier Bridge is currently estimated at 44 million vehicles.

The Champlain Bridge and the Bonaventure Expressway

Opened on June 28, 1962, the Champlain Bridge is named after the explorer Samuel de Champlain who founded Québec City in 1608. The Bonaventure Expressway was opened on April 21, 1967 and constitutes one of the bridge's northern approaches.

The bridge links the municipalities of Brossard and Verdun and is about 3 kilometres long. It has six traffic lanes separated by a concrete dividing strip. The main span – also of cantilever type – is built of steel. It supports a steel orthotropic slab deck paved over with asphaltic concrete. There are approximately 49 metres of clearance between the bridge and the Seaway canal. The remaining portions of the bridge are constructed of prestressed concrete beams that form a prestressed concrete deck paved over with asphaltic concrete.

It is estimated that 49.1 million vehicles cross the Champlain Bridge every year, to which must be added 8 million public transit users.



The Champlain Bridge Ice Control Structure

The Champlain Bridge Ice Control Structure was built in 1965 to control ice flows. This structure runs parallel to, and about 305 metres upstream from the Champlain Bridge. It is about 2,043 metres in length and runs west to east, from Nuns' Island to the northern embankment of the St. Lawrence Seaway. This infrastructure is currently used as a bicycle path.

The Honoré-Mercier Bridge

This bridge, inaugurated on July 11, 1934, was named in honour of Honoré Mercier, Premier of Québec from 1887 to 1891. The bridge connects Ville LaSalle, on the island of Montreal, to the Mohawk reserve of Kahnawake, on the South Shore.

At first, the operation, maintenance and administration of the bridge fell entirely under Québec provincial jurisdiction. Between 1958 and 1959, however, during the construction of the St. Lawrence Seaway, the Seaway's administration supervised the work undertaken to raise the southern part of the bridge, in order that ship traffic might access the Seaway. The raised portion of the bridge thus fell under federal jurisdiction. In 1963, a twin bridge was built riverside in order to meet the ever-increasing demands of traffic.

The section of the bridge for which the Corporation is responsible is approximately 1.4 kilometre long. Its truss spans support a classic asphalt-paved concrete deck.

It is estimated that 28 million vehicles use the Honoré-Mercier Bridge each year.

The Melocheville Tunnel

The Melocheville Tunnel was built in 1956 as part of the construction of the Beauharnois Canal.

The tunnel passes directly under the Beauharnois Canal locks at Melocheville. It measures approximately 230 metres in length and provides access to one lane of traffic in either direction. About 4 million vehicles pass through the Melocheville Tunnel annually.

The Thousand Islands International Bridge

Opened in 1938 by Prime Minister MacKenzie King and President Franklin Roosevelt, the Thousand Islands International Bridge stretches 13.7 kilometres across the St. Lawrence River between Ivy Lea in Ontario and Collins Landing in upper New York State. It was built in sixteen months, an impressive accomplishment by any standard! It is operated and maintained jointly by Canada and the United States under an agreement between The Federal Bridge Corporation Limited and The Thousand Islands Bridge Authority in the United States. Approximately 2.2 million vehicles cross the bridge every year.

The Sault Ste. Marie International Bridge

Opened in 1962, the Sault Ste. Marie International Bridge spans the St. Mary's River linking the twin cities of Sault Ste. Marie, Ontario, and Sault Ste. Marie, Michigan. It is the only fixed link crossing between the two countries within 1,000 kilometres, and it is an important trade route between key American and Canadian markets via Interstate 75 and the Trans Canada Highway.

Approximately 2.1 million vehicles use it each year.

The Seaway International Bridge

Spanning the St. Lawrence Seaway from Cornwall, Ontario to the Mohawk Territory of Akwesasne and on to Rooseveltown, New York, the Seaway International Bridge is a high level structure that opened to traffic in 1962. It was built under the terms of an international agreement between Canada and the United States signed in 1957, and is operated as a joint venture by our subsidiary, The Seaway International Bridge Corporation, Ltd. under an agreement between The Federal Bridge Corporation Limited and The Saint Lawrence Seaway Development Corporation.

Over 2.5 million vehicles cross the bridge each year, much of it truck traffic, making it one of the most important trade links between Canada and the United States.

CORPORATE INFORMATION

Michel Fournier,
President and Chief Executive Officer

Sheila Tremblay, Director

Yvon Bourget, Director

THE FEDERAL BRIDGE CORPORATION LIMITED

Board of Directors

Michel Fournier, *President and Chief Executive Officer*
Sheila Tremblay, *Director*
Yvon Bourget, *Director*

Management

Norman B. Willans,
Legal Counsel and Secretary to the Board
Glen P. Carlin,
Vice-President, Engineering and Construction
Andre Girard,
Vice-President, Communications
Gerard Lalonde,
Director, Administrative Services, and Treasurer

THE JACQUES CARTIER AND CHAMPLAIN BRIDGES INCORPORATED

Board of Directors and Officers

Pursuant to the *Financial Administration Act*, the Board of Directors is responsible for the management of the business, activities and other affairs of the Corporation. The Management Committee, the Audit Committee, the Steering Committee for the Jacques Cartier Bridge deck replacement Project and the management team support it.

Board of Directors

Michel Fournier, *President*
Yvon Bourget, *Vice-President*
Sophie Joncas, *Director*
Clément Côté, *Director*
René Therrien, *Director*
Norman B. Willans, *Director*

Management Committee

René Therrien, *Chairperson*
Glen P. Carlin
Clément Côté

Officers and Senior Managers

Michel Fournier, *President*
Yvon Bourget, *Vice-President*
Glen P. Carlin, *General Manager*
Sylvie Lefebvre,
Counsel and Secretary of the Corporation
Nathalie Rhéaume,
Director, Finance and Administration
Guy Mailhot,
Director, Engineering
Denis Dauphinais,
Director, Construction and Project Management
Raymond Denault,
Director, Operations and Maintenance

Steering Committee for the Jacques Cartier Bridge Deck Replacement Project

Glen P. Carlin, *Chairperson*
Clément Côté
René Therrien

Audit Committee

René Therrien, *Chairperson*
Sophie Joncas
Clément Côté

FINANCIAL SUMMARY

in dollars	2003	2002
• **OPERATING RESULTS**		
Revenues		
Leases and licenses	704,173	801,522
Interest	179,990	125,107
Other	106,600	143,975
Expenses		
Maintenance	15,220,354	23,791,746
Operation	3,385,349	3,259,266
Administration	3,330,536	3,186,889
Amortization	2,615,644	2,112,153
Net loss before government funding	23,561,120	31,279,450
Parliamentary appropriation for operating expenditures	23,345,410	26,726,437
Amortization of deferred capital funding	971,746	214,349
Net income (loss)	756,036	(4,338,664)
• **BALANCE SHEET**		
Current assets	13,886,969	22,313,313
Current liabilities	7,899,487	20,285,302
Capital assets	135,889,704	80,713,363
Holdback	2,795,966	1,190,862
Employee future benefits	600,228	645,795
Deferred capital funding	126,749,358	72,146,489
Shareholder's equity	11,731,634	8,758,228
• **FINANCIAL POSITION**		
Operating activities	3,181,732	887,408
Investment activities	(55,574,615)	(66,133,563)
Financing activities	52,074,615	66,133,563
Increase (decrease of cash and cash equivalents)	(318,268)	4,387,408

THE SEAWAY INTERNATIONAL BRIDGE CORPORATION, LTD.

The Board of Directors

Sheila Tremblay, *President*
Albert S. Jacquez, *Vice-President*
Guy Berthiaume, *Vice-President*
Sal Pisani, *Vice-President*
Roger J. Forgues, *Director*
Edward Margosian, *Director*
John M. Kroon, *Director*
Gerald H. Johnston, *Director*

Officers

Sheila Tremblay, *President*
Albert S. Jacquez, *Vice-President*
Gerard Lalonde, *Treasurer*
Edward Margosian, *Assistant Treasurer*
Roger J. Forgues, *Assistant Treasurer*
Norman B. Willans, *General Counsel and Corporate Secretary*
Marc C. Owen, *Deputy General Counsel*
Hendrik H. Saaltink, *General Manager*

Audit Committee

John M. Kroon, *Chairman*
Edward Margosian
Roger J. Forgues

Management Committee

Sheila Tremblay
Sal Pisani
John M. Kroon

FINANCIAL SUMMARY

in dollars	2002	2001
• OPERATING RESULTS		
Revenues		
Tolls	**3,767,639**	2,766,972
Rentals	**71,779**	128,214
Investments	**43,068**	76,759
Others	**68,799**	53,785
Expenses		
Maintenance	**1,373,567**	1,480,263
Toll collection	**727,716**	670,801
Administration	**695,893**	686,037
Amortization	**402,994**	422,883
Net income	**751,115**	(234,254)
• BALANCE SHEET		
Current assets	**2,459,864**	1,347,252
Current liabilities	**564,915**	475,365
Capital assets	**500,867**	558,644
Deferred major repairs	**433,874**	662,154
Provision for employee future benefits	**260,322**	290,874
Capital stock and debentures payable	**16,000**	16,000
Due to venturers	**2,553,368**	1,785,811
• FINANCIAL POSITION		
Operating activities	**1,278,018**	83,632
Investment activities	**(116,938)**	(626,962)
Financing activities	**16,442**	26,180
Increase (decrease) of cash and cash equivalents	**1,177,522**	(517,150)

THE ST. MARY'S RIVER BRIDGE COMPANY

Directors and Officers

James McIntyre, *President*
Alexander Harry, *Vice-President*
Robert Collins, *Director*
Gerald H. Johnston, *Director*
Allan Jackson, *Director*
Don Macgregor, *Director*
Mary Trbovich, *Director*
Helen Gillespie, *Director*
Lorie Bottos, *Secretary-Treasurer*

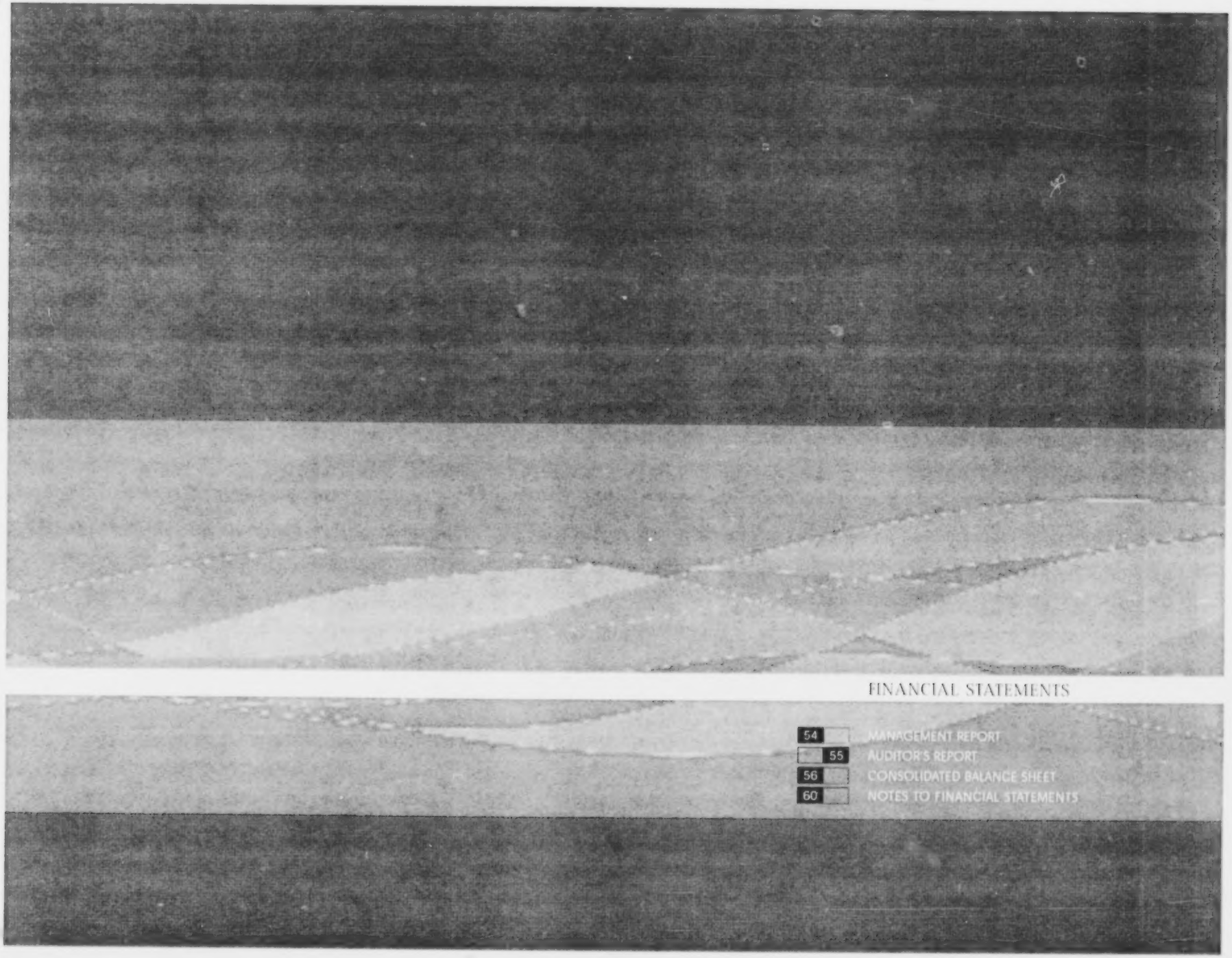
FINANCIAL SUMMARY

in dollars	2002	2001
• **OPERATING RESULTS**		
Revenues		
Tolls	**3,446,188**	3,141,716
Leases and licences	**351,378**	472,044
Investments	**28,802**	92,027
Others	**-**	263,810
Expenses		
Maintenance	**1,038,702**	861,562
Toll collection	**881,988**	980,256
Administration	**616,752**	432,491
Amortization	**246,211**	236,908
Net income	**1,042,715**	1,458,379
• **BALANCE SHEET**		
Current assets	**2,636,793**	4,669,287
Current liabilities	**879,866**	899,022
Capital assets	**7,573,035**	4,516,983
Capital stock	**1,500**	1,500
Retained earnings	**9,328,462**	8,285,747
• **FINANCIAL POSITIONS**		
Operating activities	**1,210,376**	1,551,968
Investment activities	**(3,302,263)**	255,911
Increase (decrease) of cash and cash equivalents	**2,091,887**	1,807,879

SUMMARY TABLE - FBCL

REVIEW SINCE INCORPORATION
For period ending on March 31

• **FINANCIAL DATA** *in thousands of dollars*	1999 *6 months*	2000 *12 months*	2001 *12 months*	2002 *12 months*	**2003** *12 months*
Revenues					
Thousand Islands Bridge operating revenue	906	2,252	2,276	1,854	**2,014**
Leases and licenses	728	2,110	3,656	4,966	**5,070**
Tolls	627	1,549	3,251	4,491	**5,543**
Interest	339	653	994	691	**541**
Other	113	195	122	89	**51**
	2,713	6,759	10,299	12,091	**13,219**
Expenses					
Maintenance	7,078	21,530	25,978	26,237	**17,148**
Operation	1,975	3,566	3,175	4,614	**4,640**
Administration	1,799	4,564	6,095	7,347	**7,894**
Amortization	1,260	2,740	3,249	3,658	**4,122**
	12,112	32,400	38,497	41,856	**33,804**
Loss before government funding	(9,399)	(25,641)	(28,198)	(29,765)	**(20,585)**
Parliamentary appropriation for operating expenses	9,628	25,168	27,966	26,726	**23,345**
Amortization of deferred capital funding	37	88	141	214	**972**
Non-controlling interest	–	–	(69)	(79)	**(97)**
Net income (loss)	266	(385)	(160)	(2,904)	**3,635**



FINANCIAL STATEMENTS

54 MANAGEMENT REPORT
55 AUDITOR'S REPORT
56 CONSOLIDATED BALANCE SHEET
60 NOTES TO FINANCIAL STATEMENTS

MANAGEMENT REPORT

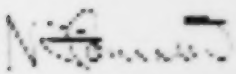
The accompanying consolidated financial statements of The Federal Bridge Corporation Limited and all information in this annual report are the responsibility of management and were approved by its Board of Directors.

The financial statements have been prepared in accordance with generally accepted accounting principles and necessarily include some estimates, which are based on management's best judgments. Information contained elsewhere in the annual report is consistent, where applicable, with that contained in the financial statements.

To meet management's responsibility and to assure the integrity and reliability of financial reporting, the Corporation maintains a system of internal controls, policies and procedures to provide reasonable assurance that assets are safeguarded, and that transactions and events are properly recorded.

The system of control is supplemented by an internal audit, which consists of periodic reviews of different aspects of the Corporation's operations. The external auditor has full and free access to the managers who have the responsibility for maintaining an adequate control system and assuring the quality of financial reporting.

The Auditor General of Canada is responsible for auditing the financial statements and for issuing her report thereon.



Michel Fournier
President and Chief Executive Officer

Ottawa, Canada
May 30, 2003

AUDITOR'S REPORT

To the MInister Transport

I have audited the consolidated balance sheet of The Federal Bridge Corporation Limited as at March 31, 2003 and the consolidated statements of operations and retained earnings, contributed capital and cash flows for the year then ended. These financial statements are the responsibility of the Corporation's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted audit standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Corporation as at March 31, 2003 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles. As required by the *Financial Administration Act*, I report that, in my opinion, these principles have been applied on a basis consistent with that of the preceding year.

Further, in my opinion, the transactions of the Corporation and its wholly owned subsidiaries that have come to my notice during my audit of the consolidated financial statements have, in all significant respects, been in accordance with Part X of the *Financial Administration Act* and regulations, the *Canada Business Corporations Act*, the *Canada Marine Act* and regulations, and the articles and by-laws of the Corporation and its wholly owned subsidiaries.

Sylvain Ricard, CA
Principal
for the Auditor General of Canada

Ottawa, Canada
May 30, 2003

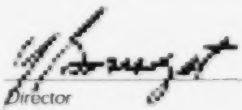
CONSOLIDATED BALANCE SHEET

As at March 31

in dollars	2003	2002
• **ASSETS**		
Current		
Cash and short-term deposits (Note 3)	**20,870,585**	19,591,676
Accounts receivable	**1,341,564**	1,957,841
Accrued interest receivable	**25,969**	9,129
Prepaid expenses	**562,665**	530,423
Due from Canada	**6,612,473**	13,735,416
	29,413,256	35,824,485
Long-term		
Long-term investments (Note 4)	**321,995**	317,046
Capital assets (Note 5)	**164,857,187**	107,325,028
	194,592,438	143,466,559
• **LIABILITIES**		
Current		
Accounts payable	**9,102,975**	17,641,899
Deferred revenue	**362,240**	368,418
	9,465,215	18,010,317
Holdback (Note 6)	**2,795,966**	1,190,862
Provision for employee future benefits	**897,010**	993,900
Deferred revenue	**–**	393,000
Deferred capital funding (Note 7)	**126,749,358**	72,146,489
Non-controlling interest	**569,101**	472,171
	131,011,435	75,196,422
	140,476,650	93,206,739
Commitments and contingencies (Notes 13 and 14)		
• **SHAREHOLDER'S EQUITY**		
Capital stock		
Authorized – Unlimited number of shares, without par value		
Issued and fully paid – 1 share	**1**	1
	53,664,378	53,443,116
Contributed capital	**451,409**	(3,183,297)
Retained earnings (accumulated deficit)	**54,115,788**	50,259,820
	194,592,438	143,466,559

Approved by the Board of Directors:

President and Chief Executive Officer



Director

*The notes are an integral part of the consolidated financial statements.

CONSOLIDATED STATEMENT OF OPERATIONS AND RETAINED EARNINGS

Year ended March 31

in dollars	2003	2002
• **REVENUES**		
Thousand Islands Bridge operating revenue (Note 8)	2,014,257	1,853,803
Leases and licenses	5,069,659	4,965,619
Tolls	5,543,137	4,491,072
Interest	540,912	691,096
Other	51,333	89,451
	13,219,298	12,091,041
• **EXPENSES**		
Maintenance	17,147,826	26,237,577
Operation	4,640,829	4,613,778
Administration	7,894,369	7,346,952
Amortization	4,121,794	3,658,254
	33,804,818	41,856,561
Loss before government funding	(20,585,520)	(29,765,520)
Parliamentary appropriation for operating expenses	23,345,410	26,726,437
Amortization of deferred capital funding (Note 7)	971,746	214,349
Non-controlling interest	(96,930)	(79,711)
NET EARNINGS (LOSS)	3,634,706	(2,904,445)
Accumulated deficit, beginning of year	(3,183,297)	(278,852)
Retained earnings (accumulated deficit), end of year	451,409	(3,183,297)

*The notes are an integral part of the consolidated financial statements.

CONSOLIDATED STATEMENT OF CONTRIBUTED CAPITAL

Year ended March 31

in dollars	2003	2002
Balance, beginning of year	**53,443,116**	53,443,116
Transfer of lands from Minister of Transport (Note 10)	**221,262**	-
Balance, end of year	**53,664,378**	53,443,116

*The notes are an integral part of the consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended March 31

in dollars	2003	2002
• **CASH FLOWS FROM OPERATING ACTIVITIES**		
Net earnings (loss)	**3,634,706**	(2,904,445)
Non-cash items		
Amortization of capital assets	**4,121,794**	3,658,254
Loss on disposal of capital assets	**190,659**	–
Amortization of deferred capital funding	**(971,746)**	(214,349)
Increase (decrease) in provision for employee future benefits	**(96,890)**	34,314
Amortization of deferred revenue	**(399,178)**	(2,284,426)
Non-controlling interest	**96,930**	79,711
Changes in holdback	**1,605,104**	1,190,862
Changes in working capital items (Note 11)	**(848,786)**	3,018,938
Cash flows from operating activities	**7,332,593**	2,578,859
• **CASH FLOWS FROM INVESTMENT ACTIVITIES**		
Decrease (increase) in advance to co-venturer	**(4,949)**	10,564
Long-term investments	**–**	4,147,808
Acquisition of capital assets	**(61,646,341)**	(68,347,291)
Disposal of capital assets	**22,991**	–
Cash flows used in investment activities	**(61,628,299)**	(64,188,919)
• **CASH FLOWS FROM FINANCING ACTIVITIES**		
Increase in deferred capital funding and cash flows from financing	**55,574,615**	66,133,563
• **NET INCREASE FOR THE YEAR**		
Cash and term deposits, beginning of year	**1,278,909**	4,523,503
Cash and term deposits, end of year	**19,591,676**	15,068,173
	20,870,585	19,591,676

*The notes are an integral part of the consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

As at March 31

1. AUTHORITY AND ACTIVITIES

The Federal Bridge Corporation Limited, incorporated on September 2, 1998 under the *Canada Business Corporations Act*, is a Crown corporation under Schedule III Part I of the *Financial Administration Act* and is not subject to the provisions of the *Income Tax Act*.

In accordance with a directive issued by the Minister of Transport under the *Canada Marine Act*, the St. Lawrence Seaway Authority transferred its assets on October 1, 1998. Specifically, the responsibility for The Jacques Cartier and Champlain Bridges Incorporated, for The Seaway International Bridge Corporation, Ltd., and for the operations of the Thousand Islands Bridge were transferred to The Federal Bridge Corporation Limited. The responsibility for the Melocheville Tunnel and the Mercier Bridge were transferred to the subsidiary, The Jacques Cartier and Champlain Bridges Incorporated.

On October 17, 2000, the Federal Bridge Corporation Limited acquired 91.33% of the outstanding voting and participating shares of The St. Mary's River Bridge Company from the Province of Ontario for $1,370.

The Corporation's primary activities involve the management and operation of bridges, installations and other assets. Moreover, the Corporation may acquire land and build structures or other assets and acquire shares or interests in any other bridge management corporation.

The subsidiary, The Jacques Cartier and Champlain Bridges Incorporated, depends on the Federal Government for its funding. The Federal Bridge Corporation Limited and its subsidiary, The St. Mary's River Bridge Company, and its joint venture, The Seaway International Bridge Corporation, Ltd., are self financed by using their own operating income.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a) Basis of consolidation

The consolidated financial statements include the accounts of The Federal Bridge Corporation Limited, its wholly-owned subsidiary, The Jacques Cartier and Champlain Bridges Incorporated, the 91.33% owned subsidiary, The St. Mary's River Bridge Company and its proportionate share (50%) of its interest in its joint venture, The Seaway International Bridge Corporation Ltd. The consolidated operations for the 2003 year include the results of all companies for the period from April, 1 2002 to March 31, 2003 (from April 1, 2001 to March 31, 2002 in 2002).

b) Parliamentary appropriations

The parliamentary appropriation, which the subsidiary The Jacques Cartier and Champlain Bridges Incorporated uses to offset the excess of its operating expenses over its operating revenues, is shown on the statement of operations and retained earnings. The amount of the parliamentary appropriation is based primarily on the operating cash flow requirements of the subsidiary.

The portion of the parliamentary appropriation used by the subsidiary to finance the acquisition of amortizable capital assets is accounted for as deferred capital funding on the balance sheet and amortized on the same basis as the related capital assets. Any portion used to finance the acquisition of non-amortizable capital assets is recorded as contributed capital.

Parliamentary appropriations that the subsidiary is entitled to but which are not received by year-end are shown as an amount due from Canada.

c) Capital assets and amortization

Capital assets are recorded at cost. Replacements and major improvements which extend the useful service lives of existing assets are capitalized. Repairs and maintenance are charged to operations as incurred.

Capital assets acquired from Government of Canada created departments, agencies and Crown corporations are accounted for at the transferor's carrying amount with the consideration shown in contributed capital.

Amortization is recorded using the straight-line method based on the estimated useful service lives of the assets at the following rates:

• Bridges	2% - 5%
• Remedial works	5% - 10%
• Deferred major repairs	10%
• Vehicles and equipment	3% - 33%
• Buildings	2% - 20%

Amounts included in projects in progress are transferred to the appropriate capital asset classification upon completion and are then amortized according to the Corporation's policy.

d) Deferred revenue

Deferred revenue is comprised of leases, licenses and the sale of toll tickets, for which services have not been rendered, are deferred and accounted for as services are provided.

e) Employee future benefits

Employees are entitled to specified benefits on termination as provided for under conditions of employment, through a severance benefit plan. The Corporation recognizes the cost of future severance benefits over the periods in which the employees render services to the entity and liability for these benefits is recorded in the accounts as the benefits accrue to employees.

f) Pension plan

All employees of the subsidiary The Jacques Cartier and Champlain Bridges Incorporated and the joint venture, The Seaway International Bridge Corporation Ltd participate in the Public Service Superannuation Plan administered by the Government of Canada. The Corporation's contribution to the plan reflects the full cost of the employer contributions. This amount is currently based on a multiple of the employee's required contributions, and may change from time to time depending on the experience of the Plan. These contributions represent the total pension obligations of the subsidiary and the joint venture and are charged to operations on a current basis. The subsidiary and the joint venture are not currently required to make contributions with respect to actuarial deficiencies of the Public Service Superannuation Account.

Employees of the Federal Bridge Corporation Limited are covered by a defined contribution private pension plan and the cost of this plan is shared by the employees and the Corporation.

Contributions in respect of current services are expensed when paid and represent the total pension obligation of the Corporation. The terms of payment of past service contributions are set by the application purchase conditions, generally over the number of years of services remaining prior to retirement.

g) Measurement uncertainty

The preparation of financial statements in accordance with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of financial statements and the reported amounts of revenues and expenses during the reporting period. Employee future benefits, accrued liabilities for major maintenance repairs and estimates pertaining to claims received from suppliers are the most significant items where estimates are used. Actual results could differ from those estimates.

3. CASH AND TERM DEPOSITS

The Corporation invests in the short-term money market. The short-term investments are mainly composed of Canadian Treasury bills, guaranteed debentures and term deposits. The overall portfolio yield as at March 31, 2003 was 2.97% (2002 - 2.54%). On average, the term to maturity is 153 days.

The fair value of the short-term deposits approximates the book value due to their impending maturity.

4. ADVANCE TO CO-VENTURER

This account represents the excess of the contribution required by The Federal Bridge Corporation Limited in its joint venture.

The advance bears interest monthly at the average one-year Treasury bill rate and has no repayment terms. As at March 31, 2003, its carrying amount approximated its fair value.

5. CAPITAL ASSETS

	cost	accumulated amortization	net	net
in dollars		2003		2002
• Land	4,562,206	–	4,562,206	4,340,944
• Bridges	273,010,121	120,280,663	152,729,458	23,756,294
• Vehicles and equipment	7,410,493	3,654,749	3,755,744	3,791,396
• Buildings	5,496,830	2,521,446	2,975,384	2,900,547
• Deferred major repairs	1,109,142	920,740	188,402	144,824
• Remedial works	48,917	29,696	19,221	20,473
• Projects in progress	626,772	–	626,772	72,370,550
	292,264,481	127,407,294	164,857,187	107,325,028

The cost of the Bonaventure Autoroute, the initial cost of the Jacques Cartier Bridge and the initial cost of the Canadian portion of the Sault Ste. Marie Bridge are fully amortized.

6. HOLDBACK

The Corporation temporarily retains an amount on the total of the sums due to a contractor to guarantee the good execution in work computed. The guarantee period is five years falling due in October 2007. The contractor has rights to simple interest of 2% and 2.73% on the amount retained, payable annually as from December 2003. The Corporation will pay the holdback (from which will be deducted any amount the contractor might owe to the Corporation pursuant to the contractual warranty clauses) after the expiry of the period of guarantee.

7. DEFERRED CAPITAL FUNDING

in dollars	**2003**	2002
Balance, beginning of year	**72,146,489**	6,227,275
Parliamentary appropriation to finance the acquisition of amortizable capital assets	**55,574,615**	66,133,563
Amortization	**(971,746)**	(214,349)
Balance, end of year	**126,749,358**	72,146,489

8. THOUSAND ISLANDS BRIDGE OPERATING REVENUE

This represents the Corporation's share of the net income from operations of the Canadian portion of the Thousand Islands Bridge in accordance with a management agreement between The Federal Bridge Corporation Limited and the Thousand Islands Bridge Authority.

9. PENSION PLAN

The pension expense for all plans for the year is $357,484 (2002 - $264,902).

10. TRANSFER OF LANDS FROM MINISTER OF TRANSPORT

Four parcels of land located on the Kahnawake Reserve and three parcels of land located in the town of Melocheville were transferred gratuitously from the Minister of Transport to the subsidiary, The Jacques Cartier and Champlain Bridges Incorporated on June 27, 2002. As of that date, the estimated net book value of these lands was $221,262.

11. INFORMATION INCLUDED IN THE STATEMENT OF CASH FLOWS

The changes in working capital items are detailed as follows:

in dollars	**2003**	2002
Accounts receivable	**616,277**	(279,004)
Accrued interest receivable	**(16,840)**	200,004
Prepaid expenses	**(32,242)**	331,920
Due from Canada	**7,122,943**	(5,073,224)
Accounts payable	**(8,538,924)**	7,839,242
	(848,786)	3,018,938

12. RELATED PARTY TRANSACTIONS

In addition to those related party transactions disclosed elsewhere in these financial statements, the Corporation is related in terms of common ownership to all Government of Canada created departments, agencies and Crown corporations. The Corporation enters into transactions with these entities in the normal course of business.

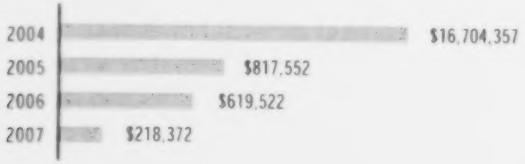
13. COMMITMENTS

a) Operation

The minimum amount which will be paid in future years under an agreement for police services ending on June 30, 2005, is $3.1 million on an annual basis. This agreement is renewable at term unless notice to the contrary from one party.

b) Suppliers

The Corporation has commitments principally for maintenance contracts, supply contracts, professional services and rental agreements for an amount of $18,359,803 until 2007. Minimum payments over the next years are as follows:



14. CONTINGENCIES

a) In the normal course of its activities, the Corporation is the claimant or defendant or is in involved in certain pending claims or lawsuits. It is the opinion of management that these claims or lawsuits will not result in any material liabilities to the Corporation. No provision has been taken in this regard.

b) It may be necessary to decontaminate some of the Corporation's properties. To date, the Corporation has been unable to determine the related costs as it has not assessed the extent of contamination on all of its properties. The costs for environmental assessments and decontamination work are accounted for in the year during which the work is performed.

15. MAJOR REHABILITATION WORK

In its endeavour to fulfill its mission, the Corporation must undertake major rehabilitation works on the roadway deck of the Jacques Cartier Bridge. On October 12, 2000, the Corporation awarded a design-construction contract for the deck replacement on the bridge. Construction on the bridge has been completed on October 15, 2002. The total cost of the project, including direct and indirect costs, is $128 million, of which $127 million was capitalized as at March 31, 2003.

16. FAIR VALUE OF FINANCIAL INSTRUMENTS

The carrying amount of cash, term deposits, accounts receivable, amount due from Canada and accounts payable approximate their fair value given their short-term maturity. There is no concentration of accounts receivable and accordingly, the credit risk is low.

17. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform with the presentation adopted in the current year.

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